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# 5 Things *Every New Parent Must Do*

Safeguard your baby's future by taking these legal and financial steps.

By Hagar Scher


Car seat? Check. Baby monitor? Check. You have all the gear to take care of your baby now, but have you looked ahead? "When you become a parent, it's so challenging just to deal with that endless stream of bottles and dirty diapers that it's easy to forget about your child's long-term needs," says Nihara Choudhri, an attorney and author of the upcoming *The New Parents' Legal Guide*. "But being a good parent means being responsible for all of your child's needs, not just the most immediate ones." Follow these five essential steps to make sure your little one will always be taken care of, no matter what happens.

## GET YOUR CHILD A SOCIAL SECURITY CARD.

This identification is needed to open a bank account and obtain medical coverage and other benefits for your child. The quickest, most hassle-free way to apply for it is at the hospital, when you fill out the form for your child's birth certificate. Just check the box indicating you want a Social Security card for your baby, and provide both parents' Social Security numbers. If you wait until after your baby has turned 1, you'll need to apply at a Social Security office and provide documentation of your child's age, identity, and citizenship. The process can take up to 12 weeks, according to the Social Security Administration, since they will have to verify the birth record. Once you have the card, don't forget to stash it – along with other important papers (like your will and life insurance documents – read on) – in a secure spot, such as a safe deposit box.

**COST** Social Security cards are free. A safe deposit box costs as little as **$15** a year.

## WRITE A WILL.

About 70 percent of families with children under 18 don't have a will, says Brian Liu, CEO of LegalZoom, a website that provides affordable legal services. That's shocking, considering it's the single most important document for ensuring that your wishes for your child's care are honored in the event of your death.

The three basic points to cover in a will are: who would inherit your property (generally, you would name your spouse as the primary beneficiary and your child as an alternate); who would serve as your child's guardian; and who would act as your kid's financial manager (the person in charge of her finances until she turns a designated age, usually between 18 and 21). You might opt to name two separate individuals as guardian and trustee if, for example, your best friend is great with kids but not cash, and your sister is a skilled money manager.

Always get the consent of the people named in your will, and name a backup for each. You should also name specific individuals rather than a couple, in case the couple breaks up. Each parent should have a separate will, but unless you have children from a past marriage or other individual obligations (such as inherited property in your own name), your documents can basically mirror each other's. Finally, make sure that the beneficiaries named on your retirement accounts, insurance policies, and other assets match those in your will, so there are no legal conflicts.

Most people can whip up a simple will using software like Quicken WillMaker Plus or a website like LegalZoom.com or BuildAWill.com. Consider consulting a lawyer, however, if you have unique concerns (for instance, you're the parent of a special-needs child). The American Bar Association's website (abanet.org) provides an online lawyer referral tool.

**COST** About **$60** using software or an online program; **$300** and up if you use an attorney.

## BUY LIFE INSURANCE.

"You want to make sure even if you're not around, your family has enough income to cover the cost of diapers, diplomas, and everything in between," says Brian Ashe, chairman of the nonprofit Life and Health Insurance Foundation for Education (LIFE). According to the organization, the average American adult with life insurance has coverage equal to only three times his or her annual salary, which in many cases would be gobbled up in a flash by unpaid bills, taxes, and other immediate expenses. Ashe urges each parent of young children to purchase insurance in the amount of ten to 15 times his or her annual income (stay-at-home parents can calculate their income as what child care would cost per year), and more if they can afford it.

**Term life insurance** is often the best bet for new parents on a budget. It covers you for a set period of time, typically between ten and 30 years, which is useful if you decide that you need coverage only until your kids graduate from college or until your mortgage is paid off. The premiums are relatively low, but if you need to purchase more coverage after the term expires, the cost could skyrocket because of your age and health problems you may have developed by that point. On the other hand, **permanent life insurance**, as its name implies, covers you your whole life (or as long as you keep paying the premium). While premiums for permanent insurance are initially as much as ten times higher than those for term insurance, they're guaranteed to stay the same for your lifetime. And as you pay the premiums, your policy will accumulate cash value (as if you were paying into a savings account); you can borrow against it at competitive interest rates for expenses like a down payment on a home or college tuition.

Contrary to what you might think, it's sometimes cheaper – and definitely more advantageous – to get your own individual coverage, rather than buy into your company's group plan. That's because group plans cover plenty of individuals who are older or in poorer health than you, which bumps up the premium each person pays. Also, you might not be covered if you switch jobs or are let go.

To choose a policy, contact an accredited insurance agent to help you assess your needs. LIFE's website (life-line.org) has an Agent Locator and user-friendly information on finding a good plan.

**COST** A healthy 35-year-old nonsmoking woman could purchase $250,000 of term life insurance for **$215** a year (about **$17.91** a month) for 20 years, or $250,000 worth of permanent life insurance for **$2,674** a year (**$222.83** a month).

## PURCHASE DISABILITY INSURANCE.

"Between the ages of 35 and 65, you have a one in three chance of having a disability lasting more than 90 days," says Ashe. Don't think you're not at risk because your job involves more paperwork than heavy machinery. "It's not just about accidents on the job," says Choudhri. "What if you get breast cancer? What if your husband has back problems? Who's going to pay for groceries?" About 46 percent of all home mortgage foreclosures are caused by the disability of a family's breadwinner – just one indication of how crucial it is to guarantee income if you couldn't work for an extended period.

Your employer may offer disability insurance, but be sure to get all the details before you sign on, since benefits can vary widely. If you can afford it, talk to a licensed insurance agent about buying additional personal coverage. Ashe warns against trying to scrimp with the cheapest plan possible; instead, look for coverage that defines disability liberally (meaning that you're paid benefits if you can't perform the duties of your particular position, as opposed to only getting paid if you can't hold down any job) and guarantees a fixed premium for life.

**COST** For a healthy 35-year-old nonsmoking woman making about $40,000 a year, good basic coverage that pays benefits for up to five years would cost about $606 a year ($50 a month). A top-drawer plan that adjusts payouts to match inflation and provides benefits until age 65 would cost about $1,155 a year ($96 a month).

## SET UP AN EDUCATION SAVINGS POT.

The estimated cost of a four-year public college 18 years from now is about $150,000, a private education at least double that – and don't forget all the expenses that pile up from kindergarten through high school. Luckily, now there are a lot more options to help you save for education costs than there were just a decade ago.

State-sponsored college savings plans, known as **529 plans**, allow you to sock away as much as $250,000 over the life of the account to pay for your child's college education. You don't pay taxes on any interest your money earns, as long as the money is used for qualified educational expenses. All 50 states offer at least one 529 plan. You don't have to stick with your home state's offerings, but doing so could score you additional tax benefits. Savingforcollege.com has a handy 529 Evaluator tool that lets you compare plans.


One benefit of 529 plans is that you – not your child – decide when and why money gets taken out. If your child doesn't go to college or doesn't need all the money in the account, you can transfer it to another child, or even withdraw it for yourself (though you'll pay a 10 percent penalty on the withdrawal).

Another option is a **Coverdell Education Savings Account**, which allows you to put away up to $2,000 a year. With a Coverdell, you don't pay taxes on earnings or on qualified withdrawals. While 529s can only be used for costs related to higher education, a Coverdell account can be used to pay for educational expenses from kindergarten on, including private-school tuition, books, even Internet access and tutoring. Unlike with 529s, though, you can't withdraw unused funds for yourself. If the money isn't spent by the time your child hits 30, it's paid out to her, minus taxes and penalties; she can spend it as she pleases.

**COST** The minimum contribution required to set up a 529 plan ranges from **$25** to **$1,000**. You can set up a Coverdell account with an initial deposit of about **$100**. Fees vary from plan to plan.