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Life events: Having a baby

Financial checklist

The birth of your child may mean a change in some of your life goals. Your advisor can help with strategies and advice for balancing your priorities and making progress towards achieving your financial goals. Take this opportunity to review your priorities and consider asking your advisor these questions:

- How do we balance paying down debt and saving while adjusting to new costs of having a baby?
- Should we buy a home now?
- How can I provide financial security for my dependents through insurance?
- How can I continue to maximize and top up my Registered Retirement Savings Plan contributions?
- Should I consider setting up a spousal RRSP to help with tax planning?
- How important is a Will and Power of Attorney now that we have a child?
- How do we save for our child's education?
- How will having a child affect my taxes?
- How can we assist our parents if they need it now that we have our own family to care for?

Budgeting

According to a Manitoba government study a few years ago, a child will cost parents about \$167,000 from birth to age 18 – and that only covers the basics.

Of course, there will be a number of immediate costs – some are one-timeonly purchases, while others will be ongoing and increase as your baby grows. There are many ways to decrease those costs:

- Borrowing or buying baby furniture second hand can save you a bundle, especially on items that your baby will quickly outgrow
- Ask your relatives or friends organizing baby showers to help with the necessities

In addition, now that you are a new parent, you may be offsetting some of these extra costs because of changes to your lifestyle, for example, a parent staying home will be cutting back on certain work expenses like transportation and eating out. Also, your entertainment costs will likely fall as you spend more time at home with your baby.

Estate planning, life insurance and tax changes

The birth of your baby is the ideal time to review your insurance policies, your Will and Power of Attorney and how your tax situation will change. It is now even more important to ensure your loved ones are well looked after if anything should happen to you. Here are a few topics to consider helping you prepare for some of the unexpected events that can happen in life.

Life insurance

If something happened to you tomorrow, how much financial assistance would your family need to manage everyday living expenses – and for how long? Your financial advisor can help you plan out how much coverage you need and what type of coverage is best as well as recommend ways to save on your insurance costs. For example, if you and your spouse purchase policies together you can save significantly, and some plans will discount your costs by up to 15% if you pay annually instead of monthly. Remember that your premiums are lower when you're younger as statistically you're generally healthier and will likely live a long time. If you are a non-smoker you can also ask for 'preferred' rates, which may also reduce your premiums.

Disability insurance

An employer often offers about two thirds of your pre-tax employment income as part of a basic disability insurance package. In fact, according to Today's Parent magazine, a 35-year-old woman is seven times more likely to suffer long-term disability than die before she turns 65. The last thing you want to worry about if you are sick is your finances. If you do not have disability insurance through your employer it's worth asking your advisor for a recommendation.

Critical illness insurance

This is a type of insurance protection that pays you a lump sum if you are diagnosed with a serious disease like cancer, or have a stroke or heart attack. This lump sum can help cover costs of treatment or child care or household costs as you look after your health.

Update your Wills and Powers of Attorney

It is always important to keep your Will and Power of Attorney up-to-date with changes in your life – especially the birth of a new baby. When you have a legal Will, you control who receives your assets and money. Without a Will, the government decides who gets what. It's also important to name a guardian for your child in your Will. When choosing a guardian consider these issues:

- Will they be comfortable with the emotional and financial responsibilities of raising your children?
- What are their attitudes on how to bring up children – and are they very different from yours?
- How do they get along with the rest of your family, who will likely want to remain involved with your children and continue spending time with them?
- If you are thinking of a married couple, how old are they? If something happens to them, who will be the backup guardians for your children? What will happen if they divorce? It may be better to appoint one as the primary guardian.