



HIGHTOWER
Westchester



Adjusting Family Budget After the Birth of a Child Checklist

Raising children in the U.S. is becoming increasingly expensive, especially with the impact of inflation. According to a study by NerdWallet, the cost of raising a baby can exceed \$21,000 in just the first year.¹ And by the time a child turns 17, couples can expect to spend around \$318,949—and that doesn't even include college expenses.

As you prepare to welcome your little one, it's essential to revisit your budget to help you establish financial stability. Here are some key steps to help set your family up for long-term financial success:

NEWBORN BUDGET PLANNING AND FIRST-YEAR BABY COSTS

Estimate the amount you will spend in the first year by utilizing the [cost of a baby calculator](#)

Start budgeting if you have not already

- We recommend utilizing the 50/30/20 approach: 50% of your income for needs, 30% for wants, and 20% for savings.
- Consider what is going to be a one-time versus a recurring cost.
- Try shopping second-hand and using hand-me-downs to reduce costs.

Add your baby to your health insurance plan.

- The birth of a baby is considered a “qualifying life event,” allowing you to add them as a dependent to your health insurance plan even if it is not your annual open enrollment period. Many employer-sponsored plans consider a baby an extension of the mother for the first 30 days, but after that, it is essential to add the baby to the plan separately.

Modify Health Savings Account (HSA) contributions

- The average out-of-pocket cost for childbirth with health insurance is \$2,854.² Take advantage of your HSA, which is funded with pretax dollars, can grow tax-free, and allows tax-free withdrawals – if used for eligible expenses. HSAs can be taken with you if you leave your job, and the money stays in the account even if you don't use it.

Enroll in a Dependent Care Flexible Spending Account (DCFSA)

- A DCFSA allows you to contribute pretax dollars and withdraw them tax-free to cover expenses such as daycare or in-home caregiving.



ESTATE PLANNING AND LEGAL PREPARATIONS FOR NEW PARENTS

Update beneficiaries

- Designate a guardian for your child rather than making them a contingent beneficiary. Making them a contingent beneficiary can create problems before they reach adulthood.³

Create or revise your will

- A will helps make sure your assets are transferred quickly to loved ones and allows you to name a guardian for your child.

Set up a trust

- With a trust, you can spell out exactly how you want your assets used, including when your child becomes a legal adult.

Buy life insurance

- Permanent life insurance will provide coverage as long as you pay your premiums and can build a cash value over time. However, permanent life insurance can be expensive. Term insurance is temporary coverage for a set number of years at a lower cost. However, it does not have cash value. It may be best to utilize a combination of both.

TAX PLANNING STRATEGIES AND CHILD-RELATED TAX BENEFITS

Take advantage of benefits and tax credits

- **Claim Dependent Exemptions and Child Tax Credits:** You may be eligible for valuable tax savings, such as the Child Tax Credit, which offers up to \$2,200 per qualifying child under age 17.⁴
- **Utilize the Child and Dependent Care Credit:** If you paid for childcare or care for another qualifying individual so you (and your spouse, if filing jointly) could work or look for work, you may qualify for this credit.
- **Deduct Eligible Medical Expenses:** If you itemize deductions, you may be able to deduct medical expenses related to pregnancy, childbirth, and pediatric care, helping reduce your taxable income.

Consider opening a savings account for your newborn

- The One Big Beautiful Bill Act established a “Trump IRA,” which enables parents and family members to contribute up to \$5,000 a year in tax-free dollars until your child turns 18. Employers are able to contribute up to \$2,500. Additionally, if your child was born between 2025 and 2028, you will also receive a \$1,000 deposit into the account, funded by the Department of the Treasury.⁵



EDUCATION SAVINGS PLANS AND FUTURE TUITION PLANNING

Set up a 529 plan

- Education costs are rising, so it is a good idea to start saving for your child's future education with a 529 plan as soon as possible. These plans store money for several types of expenses related to education, including tuition, college admissions tests, and books.⁶ These plans function as savings accounts where individuals can contribute after-tax dollars to cover a variety of education-related expenses, including tuition, college admissions tests, and books. Funds from these accounts can also be used for K-12 expenses beyond tuition, such as standardized testing fees, textbooks, and tutoring sessions.

BUILDING AN EMERGENCY FUND FOR FAMILY FINANCIAL SECURITY

- The birth of a child makes having a rainy day fund all the more pertinent. If you lose your job, become ill, or have an unplanned expense of a substantial amount, you should have money to pull from to cover your monthly costs. Plan to save three to six months' worth of essential living expenses, or more in your emergency fund.

conclusion

Welcoming a new baby is a beautiful milestone—and adjusting your budget doesn't have to be overwhelming. This checklist is just the beginning of building a secure, loving future for your growing family.

If you'd like a helping hand in tailoring these steps to your unique situation, we're here for you. Please reach out to one of our advisors to help make your financial journey as joyful as your new arrival.



HIGHTOWER

Westchester

440 MAMARONECK AVENUE, SUITE 506
HARRISON, NY 10528
(914) 825-8630
HIGHTOWERWESTCHESTER.COM

¹ Renter, Elizabeth. (2020, July 1), Budgeting for New Parents: How to Budget for Baby. NerdWallet. 1 July 2020, www.nerdwallet.com/article/finance/baby-budget-new-parents.

² Megna, Michelle. (2025, June 4) How Much Does It Cost to Have a Baby? Forbes. www.forbes.com/advisor/health-insurance/how-much-does-it-cost-to-have-a-baby/.

³ Kurt, D. (n.d.). A New Parent Checklist For Financial Wellness. Prudential. <https://www.prudential.com/financial-education/new-parent-checklist>

⁴ Cruz-Martínez, G. (2025, July 15). Child Tax Credit 2025: How Much Is It and What's Changed? Kiplinger. <https://www.kiplinger.com/taxes/child-tax-credit>

⁵ Dickler, J. (2025, July 18). "Trump accounts" come with a \$1,000 baby bonus. Then the rules get complicated, tax experts say. CNBC. <https://www.cnbc.com/2025/07/18/big-beautiful-bill-childrens-trump-account-rules-are-complicated.html>

⁶ O'Shea, A. (2025, July 10). What is a 529 plan? rules, pros and cons. NerdWallet. <https://www.nerdwallet.com/article/investing/529-plan-rules>

Hightower Advisors, LLC is an SEC registered investment advisor. Securities are offered through Hightower Securities, LLC, Member FINRA/SIPC. All information referenced herein is from sources believed to be reliable. Hightower Advisors, LLC has not independently verified the accuracy or completeness of the information contained in this document. Hightower Advisors, LLC or any of its affiliates make no representations or warranties, express or implied, as to the accuracy or completeness of the information or for statements or errors or omissions, or results obtained from the use of this information. Hightower Advisors, LLC or any of its affiliates assume no liability for any action made or taken in reliance on or relating in any way to the information. This document and the materials contained herein were created for informational purposes only; the opinions expressed are solely those of the author(s), and do not represent those of Hightower Advisors, LLC or any of its affiliates. Hightower Advisors, LLC or any of its affiliates do not provide tax or legal advice. This material was not intended or written to be used or presented to any entity as tax or legal advice. Clients are urged to consult their tax and/or legal advisor for related questions.