

Expanding Your Family: Tax and Investment Issues to Consider

Congratulations! There is nothing more exciting than adding a new member to your family. Whether you are expecting a new bundle of joy or adding to your family through adoption, there is plenty to get in order. Painting the room, buying clothes and furniture and getting organized are always high on the priority list. One thing that should not be neglected in the excitement is managing the financial well-being of your growing family. There are many tax and investment issues to consider:

- **Review your budget:** Once your new addition arrives, your monthly expenses will generally increase. Diapers, childcare and even the loss of income from leave time can create a strain on a tight budget. Review your current budget to manage the increase in spending and pay off debt if possible.
- **Create or update your estate documents:** Estate documents are critical when adding a new member to the family. See an attorney to have the five basic estate planning documents put in place: will, trust, power of attorney, living will, and healthcare power of attorney. If you already have estate documents, review these documents and update the beneficiaries as necessary. Also, be sure a guardian is listed for your child in your will. If no guardian is listed it will be up to the court to decide who will take care of your children should something happen to you.
- **Update your withholding status at work:** Work with your HD Vest tax advisor to determine the new appropriate withholding needed for tax purposes and communicate this with your Human Resources department.
- **Review your beneficiaries:** Review the current beneficiaries on all accounts that have a listed beneficiary: retirement accounts, transfer on death accounts, life insurance policies, etc... Make sure that the appropriate person is listed as the primary and contingent beneficiary.
- **Update your health insurance coverage:** Contact your Human Resources department or your insurance company to see what is necessary to add your new child to your policy.
- **Review or purchase life insurance and disability coverage:** A new addition to the family is a critical time to ensure you have the right amount of life and disability insurance. Work with your trusted HD Vest Advisor to determine how much insurance you need and if necessary, purchase additional coverage.

- **Plan for college:** You can never start saving for college too early. Talk to your HD Vest Advisor about putting a plan into place for college expenses and accounts that allow you and others to set aside money for your child's education and let it grow tax-free. Distributions from some accounts are also tax free if used for qualified education expenses. You can even create a plan before your child is born by listing yourself as the initial beneficiary of the account and then changing the beneficiary after your child has a social security number.
- **Review Possible Tax or Work Benefits for Adoption:** Adopting a child can be an expensive process and many employers offer some benefits or assistance. There also may be tax benefits you are eligible for. Contact your Human Resources department and your HD Vest Advisor for more information.

Having or adopting a child is a rewarding experience and a chance to lead by example. Your children will learn their most valuable lessons about money from you. Start them off on the right path by working through the items above. There's a lot of financial planning that goes into preparing for children and your HD Vest Advisor is there to help you each step of the way.

If you are not currently an HD Vest Advisor but are interested in learning more about partnering with us to offer financial services, contact a Business Development consultant at (800) 742-7950.