



The cost of having a baby can add up quickly, especially when you factor in things like lost wages and child care. **Ray Bubel** MCT

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# Prepare for the financial impact of maternity leave

BY JAMIE A. BOSSE

Congrats on your pregnancy! Before you start packing up your desk and laptop, there are a few things you should know about maternity leave.

In most cases, some or all of your leave will actually be *unpaid*, leaving you with the options of using vacation time, taking less time off, or simply not being paid for the duration of your leave. Some companies require that you use a portion of your vacation time, others do not.

If you have short-term disability insurance, you will likely receive a portion of your pay while you are on leave. However, most of these policies are pretty vague and your human resources representative may not know the full details off hand.

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Here are three financial considerations when preparing for maternity leave:

## **Know your benefits**

If you have a disability policy, get familiar with the details. The policy language may be vague or confusing. It may say something along the lines of “60 percent of

pay up to 12 weeks” – leading you to believe that you will receive 60 percent of pay for 12 weeks, when that is not the case. Prior to your due date, make sure you understand the full details.

In my experience, a birth qualifies for 60 percent of pay for six to eight weeks (six weeks for a traditional birth, eight weeks for Cesarean birth/additional complications). There is also a one to two week waiting period included in that time frame, meaning your actual pay period may only include four to six weeks. If your employer pays the premiums for this disability policy, you may be taxed on the benefits you receive, so plan on withholding about 30 percent of what you receive for taxes.

Additionally, you may need to reimburse your employer if they paid your portion of health insurance premiums (if the policy is through your employer) while you were on leave. Before your maternity leave, discuss the details with your manager to determine if you can continue to pay these premiums during your leave, or if they will need to be reimbursed upon your return.

There is also typically a maximum amount you can receive per week, so if you are accustomed to a higher salary, this may be an additional reduction. After all of these things are considered, you may only receive the equivalent of one to two net paychecks during that 12-week time period.

## **Plan ahead**

Having a baby is expensive, but there is information available to help you plan ahead for the expenses.

Take stock of all of the big ticket items you may need to purchase, like a crib, stroller, car seat, etc. You should consider creating a spending plan to purchase these items before your maternity leave.

Bills may start rolling in from all directions a couple of weeks after the baby is born. You should expect to bills from the hospital, your doctor, the child’s pediatrician, the anesthesiologist (if you received an epidural or required surgery) and any specialists that are needed. If you have a high deductible health plan and have not met your deductible for the year, you may be paying full freight for these services until your deductible is met.

If you have a Health Savings Account (HSA), the good news is that you may be able to use these funds to pay these bills. You may also receive a tax benefit for making contributions to an HSA. If you have a Flexible Spending Account (FSA), you may be able to use these funds as well. Don’t be afraid to ask your health providers about expected charges so that you can plan ahead.

You will likely need to secure a daycare provider well in advance of the birth, which may require a financial deposit. If your baby decides to make his or her debut earlier than scheduled or there are other complications, this may mean extended hospital stays requiring more time away from work. I advise parents to consider building an emergency fund for these types of unexpected expenses.

## **Understand the impact on your future income**

When you announced that you were expecting, did your work flow change? Maybe you are not working on important projects or the most profitable cases anymore? If you are paid hourly, through commissions, have a heavy appointment schedule, or are expected to travel, your income may be impacted upon your return.

Will you continue to work full time when you return? If not, what does your new role look like? Be sure to have an honest conversation with your employer about this. If they fear that you will not return, you may not be considered for bonuses, an annual pay increase or additional responsibilities.

If you plan to breast-feed after returning to work, you will need to reserve time for pumping. How does this affect your work load? If your infant is exclusively breast-fed, you may need to pump up to three times during the work day to maintain your milk supply. This will eat up roughly 90 minutes of your day. How does this work with your current schedule?

The key here is communication. Be open and clear with your managers and co-workers about what you expect when you return to work and understand what is expected of you.

When you return to work, it is likely that the clothes you used to wear will not fit. If you have a role where you need to dress professionally, you may need to invest in some new clothes.

It seems to take at least nine months to return to “normal” size or to reach your “new normal” size after having a baby. Plus, if you are breast-feeding, you will want to wear clothes that allow for easy access so you do not have to completely disrobe at every pump break. Expect that you will need to go shopping and budget accordingly.

If your income is based on production, sales or commission, you may need to account for some ramp-up time before you receive your first paycheck upon your return.

Adding to your family also means you will need to consider risk-management programs like life insurance and estate planning. You may need to purchase

additional coverage, or draft/update your will to ensure that your family is protected.

Taking a leave of absence from work can cause financial and emotional stress in your household if you are not prepared. Consider the issues above so you are not caught off guard by financial concerns. This way, you can spend your time worrying about your sweet little newborn instead of your finances.

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