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Baby steps — the first nine months

By DANIEL PONTARELLI

Earlier this year, my wife and I welcomed our first daughter, Lucy, into the world.

Hands down, it was the greatest day of my life. If you find yourself somewhere on the spectrum of nine months away from sharing a similar moment, know this: the euphoric feeling of having a child can quickly dissipate if you realize you didn't make the time to plan ahead. Your decision of whether or not to have children will significantly impact your long-term financial goals, but there is a great deal that needs to be accomplished in the short-term before you start applying for those academic and athletic scholarships.

The most important factor to consider during your nine month countdown is whether or not there will be a permanent change in employment once the baby arrives. Start by reviewing whether or not you can afford the expenses in the first year based on your current income, or the potentially reduced amount.

Research the details of any maternity or paternity leave available to you through your employer. In Kansas and Missouri, there are no state laws specifically requiring private companies to offer family or medical leave. However, if you work for a company with 50 or more employees then your employer falls within the confines of the Family and Medical Leave Act (FMLA). The FMLA entitles eligible employees to take unpaid, job-protected leave, with continuation of group health insurance coverage for the birth and care of an infant with some certain limitations.

If you qualify for coverage under the FMLA, coordinate with your benefits department any available sick leave, vacation, or short-term disability. If you do not currently have a short-term disability policy, review your options through your employer. No group policy available to you? Search for an individual policy as soon as possible. While it is plan specific, most short-term disability policies consider pregnancy to be a pre-existing condition; so, if you apply too late you will not be covered.

The average out-of-pocket hospital expense is $3,500. If you are currently on your employer's group plan or have an individual policy, there will be a variety of specific rules that you will want to clarify, sooner rather than later, to help arrive at your specific costs. Some of the questions to ask include when you need to notify the insurance company, differences between in-network and out-of-network healthcare providers, and how many days in the hospital your policy will cover. Also, be sure to find out what you need to do to continue your coverage if automatic withholding from your pay discontinues due to leave.

Don't forget about insuring that new precious arrival! Having a child is considered a qualifying event and allows you to make several changes to your current benefits outside of the standard open enrollment period. Following a traditional birth your employer may automatically add the new dependent to the mother's plan, but if you have more than one plan to select from, you will have 30 days to make your election. Your benefits department can tell you the increase in premium for adding a dependent and the coverage that they would receive. Ask as many questions as possible and gather all the facts.

Another important change to consider during the qualifying event period is the addition of a Flexible Spending Account (FSA). You may already be a participant in your company's Healthcare FSA, which allows for pre-tax contributions up to $2,500 for healthcare related expenses, but now may be a good time to adjust your deferral amount depending on the costs of the impending birth and future increase in healthcare costs. Also, if returning to work is part of your plan and daycare will play a role, ask about electing to make contributions to a Dependent Care FSA. Participants may defer up to $5,000 per calendar year per family of pre-tax dollars. With average monthly daycare expenses running from $800-$1,200, you should have no problem receiving the full benefit of the plan.

The most important step once you are ready to share your news is to set up a meeting with your benefits administrator. Plan early and adjust accordingly, because everything is about to change… for the better!

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