FLYNN ZITO

Capital Management

Greetings!

Our newsletter this month is titled "And Baby Makes Three."

Thank you for your thoughts and feedback on our newsletters. If you know someone who may benefit from this information, please pass it on. If you have any questions or comments, please contact us.

Regards,

Doug Flynn, CFP®, ChFC®
Rich Zito, CFP®, CMFC®
Steve Aberman
www.FlynnZito.com

Flynn Zito Capital Management, LLC
A Registered Investment Advisor
300 Garden City Plaza, Suite 226
Garden City, NY 11530
(516) 746-9000
(516) 746-0300 fax

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flynn.zito@lpl.com

And Baby Makes Three

Starting a family can be one of life's most fulfilling experiences. It can also be among the most expensive. According to statistics compiled by the U.S. Department of Agriculture, families in the United States could spend well above $200,000 for food, shelter and other necessities to raise a child through age 17--and that doesn't include college!

As you consider your growing family's financial needs, take a look at some key areas to address before and after your new child comes home. This handy checklist can help you get a head start on planning.

Begin Budgeting

- To be baby ready, you'll need some basics: a crib, changing table, car seat, carriage, infant clothes and more. Also, factor in the costs for any home renovations you may want, like a nursery room or bathroom upgrade.
- Paying for medical care can increase your monthly spending; prepare to cover any copays for visits to the pediatrician, for example. Also consider the need for baby food; new clothing as the baby grows; diaper services or supplies; and, eventually, potential expenses for child care, babysitting and preschool.
- Think about how your income might change if you, your spouse or both of you choose to reduce your work hours. Compare the benefits and costs of stay-at-home parenting with paying for child care.

Review Your Health Insurance Coverage

- The medical costs of bringing a new life into the world can add up and insurance coverage varies widely. Check with your health care provider or human resources office about any copayments, coinsurance and/or deductibles you can expect, and be sure that you've met all the terms of the insurance contract.
- Determine whether your preferred obstetrician and pediatrician will be considered in-network or out-of-network for insurance reimbursement and referral purposes. A provider's status in your insurance plan may affect not

only your out-of-pocket costs but also your access to hospitals, imaging centers and laboratories.

- Many policies have specific procedures for adding coverage for dependents. To be sure that you have uninterrupted coverage for your new addition, check with the company beforehand.

Explore Employer-Sponsored Benefits

As a starting point, determine whether the birth of a child is considered a qualifying life event (QLE) by your employer. If so, normal open enrollment restrictions may not apply. Then, if available to you, consider the following benefits:

- A health savings account (HSA). A HSA may allow you to accumulate health care reserves on a pretax basis to pay for future medical expenses.
- A dependent care flexible spending account (FSA). This benefit, if offered, lets you set aside money each pay period on a pretax basis to pay for qualified child care expenses. Take care to contribute only what you are sure you can use each year because any money remaining in the account after the benefit period ends generally would be forfeited.
- Maternity/paternity leave. Companies must generally offer their employees some time off around the birth of a child. Your human resources or personnel office can explain your benefits and how to qualify for them.
- Job sharing and telecommuting opportunities. Caring for a newborn is a lot of work. If you are considering adjusting your time on the job, look into these potential options.
- Adoption benefits. If you are adopting a child, you may be eligible for an adoption credit, and/or your employer may provide qualified adoption assistance that is potentially excludable from your gross income.

Review Existing Estate Plans

- Be sure your new child is accounted for in your will and in your spouse's will. If you assigned shares of anything by percentage, make sure those percentages are updated to reflect your intentions.
- If you have existing guardianship arrangements, be sure to explicitly include your new child. Consider designating a guardian if you have not done so.
- Be sure that any retirement account beneficiary designations accommodate

your new child's interests.

- A new family member means a potential new life insurance beneficiary. Are your beneficiary designations up to date? Do you and your spouse both have enough insurance coverage to accommodate your growing family?

Begin Saving for College

Given the high cost of a college education, it's probably not an overstatement to say you can never start saving too soon. Here are a few tools that can help:

- A 529 college saving plan offers you generous contribution limits, flexible withdrawal rules and potential tax savings.
- A custodial account may offer potential estate tax and gift tax planning benefits.
- A Coverdell education savings account can be used to fund certain elementary school, high school or college expenses.

Doing advance planning on a number of financial fronts can help ensure that your new addition to the family has a smooth and secure start in life.

Footnotes/Disclaimers

1 Asset allocation does not assure a profit or protect against a loss. Rebalancing a portfolio may create a taxable event if done outside a retirement account.

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