

Playbook: Your Guide to Life & Money

Starting a Family: From Dollars to Diapers



What Is Covered in This Chapter:

- “Who’s on diaper duty?” and other important questions to ask before starting a family
- Baby budgeting 101
- Ways to start saving for your child’s education
- New parent checklists: from paperwork to policies
- Talking to your kids about money
- Puppy price tags and what to know before investing in a pet

Make way for the modern family. The age-old image of a 1950s kitchen featuring a mother behind the stove, a father who has just come back from work, and two children sitting down to enjoy a Sunday roast is a thing of the past. Families today come in all shapes and sizes. Whether your family consists of yourself, a partner, and a pet, or a few kids and a pair of aging parents, it’s important to understand the building blocks of family responsibility.



The Baby Bill

Anticipate what to expect before you're expecting. Amidst all the fuss about tiny toes, chubby little thighs, and hands you didn't even know came in that size, the stork isn't always up-front about what this door-to-door delivery is going to cost you. And let's just put it this way—for Storks LLC, business is booming.

In a 2026 study, LendingTree estimated that the cost of raising a child to the age of 18 had risen to \$303,418.¹

How's that for a "bundle of joy?"



Of course, the cost of raising a family can vary significantly depending on location and lifestyle considerations. For example, the average tuition cost for private school in a place like New York is \$22,375 per child per year.²

According to a recent study, 71% of parents reported feeling overwhelmed by their financial responsibilities.³ While there is no need to panic, there is a clear need to prepare. As you begin the countdown to your due date, take the time to create a baby budget. Your monthly expenses are going to change now that you have an additional mouth to feed, and for some this might also coincide with a temporary—or more permanent—decrease in household income. By mapping out your baby budget in advance, you can help ease anxiety about counting diaper costs and focus on counting which little piggy went to the market.

5 Important Topics to Cover With Your Partner Before Having a Baby:

1

CARETAKING RESPONSIBILITIES

What are your expectations for career vs. caretaking responsibilities? How will you handle 2 a.m. wake-ups and diaper duty? What happens if one of your careers drastically changes? Will the other partner be open to taking on additional childcare responsibilities? How do you handle childcare if one or both of you are working from home? If the child is doing remote learning?

2

EDUCATION

Private vs. public education? What kind of educational experience do you envision for your kid(s) and are you willing to make financial trade-offs in order to pay for it?



3

FINANCES

Are you financially ready for a baby? How will you cover any unexpected expenses such as medical emergencies?



FACT:

In the first month of life, newborns average up to 10 to 12 diaper changes per day.⁴

5

FAMILY SYSTEM

What ground rules will you lay for your family? How much will you let your own parents influence your parenting and what expectations will you have of them?

4

BOUNDARIES

How will you approach disciplining your child? What do you believe is an acceptable punishment?

Your Baby Budget

Every new parent's experience is unique. It is impossible to predict the circumstances surrounding your baby's birth or what type of childcare you will need; however, this general baby budget is meant to give you a sense of how the numbers shake out on average. Remember, estimated baby bucks can vary significantly depending on the cost of living in your area as well as your health insurance plan.

AVERAGE ONE-TIME PREPARATION COSTS	
Car seat	\$270
Basic Stroller	\$599
Diaper bag	\$44
Front carrier	\$32
Activity equipment	\$599
Crib, mattress, bedding	\$442
High chair	\$240
Bathing and changing supplies	\$371
Nursing equip	\$422
Childproof materials	\$102
Feeding supplies	\$284
TOTAL	\$3,405 ⁶

TIP: If you are having a baby shower, try and hold off until afterwards to make any of these one-time purchases; some may be gifted by generous friends. Hand-me-downs are another great way to save on bigger ticket items.

Cost of Pregnancy
Research has found that the average health care cost of pregnancy, childbirth and postpartum care combined is \$20,416. Keep in mind that the cost of childbirth can vary significantly depending on factors such as type of delivery, where you deliver, your insurance, and prenatal care.⁵

AVERAGE ONGOING COSTS (FIRST YEAR)	
Diapers and wipes	\$86 (per month)
Formula	\$287 (per month)
Solid food	\$68 (per month)
Childcare	\$1,123 (per month)
Clothing	\$73 (per month)
Miscellaneous (Toiletries, toys, books and other things)	\$24 (per month)
TOTAL	\$1,661 ⁷

TIP: Don't underestimate other indirect expenses that can increase once your baby is born, including utility bills, laundry costs, or car payments on the family-functional minivan that you swore you'd never drive.

Maternity and Paternity Leave

When it comes to time off from work, the only thing (most) American women are guaranteed from the government is job protection for up to 12 weeks after birth or adoption thanks to the Family and Medical Leave Act (FMLA).⁸ The rest is up to your employer's discretion. Maternity and paternity leave typically consist of a family leave policy and/or short-term disability leave:

1 Family leave:
12 weeks of paid, partially paid, or unpaid leave given to any parent (including mothers, fathers, and adoptive parents) for the purpose of caring for a new baby. Parents may start the 12 weeks before birth, if desired, or once the baby is born. Nearly 73% of private sector employees do not have access to paid family leave.⁹

2 Short-term disability leave:
Usually 6 weeks of partially paid or paid leave given to new mothers for medical recovery after birth. Salary during disability leave can vary depending on your salary, length of company employment, insurance policy, and state regulations.

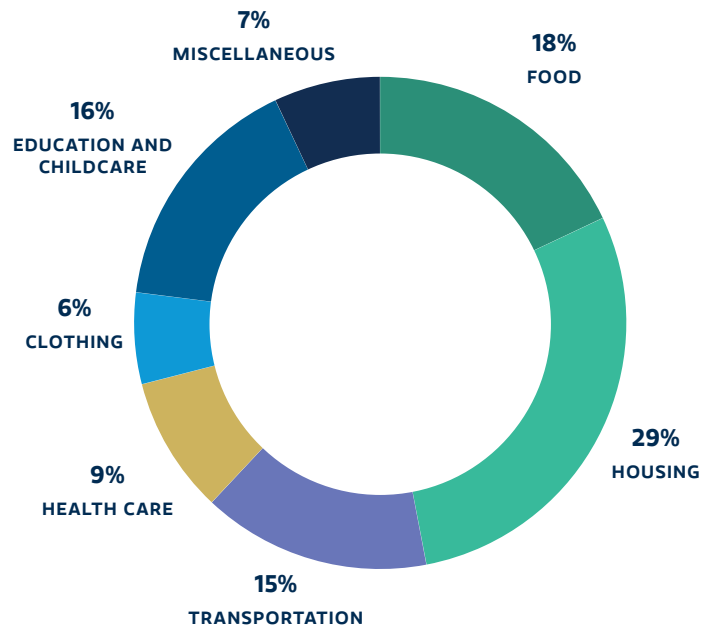
Some companies may also allow you to include outstanding vacation time or sick days in maternity leave as well. While the FMLA technically covers fathers as well, there are fewer companies who offer or promote paternity leave.

Once you understand the salary implications of your leave (whether it is temporary or more permanent), make sure to incorporate any income adjustments into your baby budget to help ensure that you are financially prepared.

The Price of Parenthood



As your child grows, so will his or her capacity to spend your money. This chart provides an overview of how annual expenditures shake out for the average American parent:¹⁰



WINNING PLAY

It is important to give your boss adequate notice and communicate your timeline several months in advance. By addressing any concerns about your absence and making the necessary preparations to cover your responsibilities, you can create a smoother transition and maintain the trust of your team.



WINNING PLAYS for Minimizing Maternity Costs: Put it on Your Insurer's Tab¹¹

Even with maternity coverage from your health insurance, prenatal and delivery costs can add up quickly if you are unaware of what your policy covers. Here are some tips to minimize out-of-pocket medical expenses and unexpected surprises:



Read the fine print

Understand what your health insurance covers and the maternity policy. In other words, clarify your deductibles and co-pays to get an idea of prenatal care and delivery costs.



Confirm the room rates

Health insurance coverage for hospital stays may likely be capped at a certain amount of time, so get the details and get moving to avoid splurging on a sleepless night in a hospital bed. Check please!



Stay in-network

Choose an OB/GYN and hospital or birthing center that are considered in-network by your insurance plan. Some hospitals may offer more flexible pricing or payment plans; talk to a hospital representative to understand what your options are in advance.

Saving for College

According to the College Board, the average annual cost of tuition and fees is \$45,000 at private colleges and \$11,950 for in-state public universities.¹²



The magic of compound interest applies here too. While you may not know if your child plans to attend a four-year college, opt for an online university or specialized program, or choose a more alternative route, it is never too early to begin saving for your child's future.

529 Plan

This is one of the most common tuition savings plans because it can offer the most flexibility, significant tax benefits, and exceptional degree of control for the account owner. There are no age or income restrictions on who can contribute. 529 Plans offer high contribution limits, in excess of \$200,000 depending on the state (check with your Financial Advisor about your state limits), which enables the account owner, in most cases, to accumulate sufficient assets to cover tuition costs fully. Contributions grow tax-deferred and withdrawals are free from federal tax when used for qualified expenses. In many states, contributions may also be deductions from state income tax.

Additionally, the SECURE 2.0 Act made changes to make 529 plans more beneficial. You can now make tax-free and penalty-free rollovers from 529 accounts to Roth IRAs, subject to certain conditions and effective for distributions made after December 31, 2023.

As of 2018, you can use up to \$10,000 of your 529 plan proceeds to cover K–12 expenses without penalty. 529 plan contributions also qualify for the \$18,000 annual gift tax exclusion in 2024.

Limitations

Funds can be used for qualified higher education expenses, but cannot be used for K–12 expenses without penalty, except as noted above. 529 Plans can be used for in-state, out-of-state, or international institutions as long as they are used with an accredited program. Qualified higher education expenses include tuition, fees, room and board, books, supplies, computers, and other related technology services including software and Internet access.

Coverdell Education Savings Account (ESA)

Invested funds grow tax-free and can be used to cover a variety of education-related expenses including tuition, room and board, books, and other educational costs, such as computers, calculators and even Wi-Fi.

Limitations:

Contributions may not exceed \$2,000 a year and you must make less than \$110,000 (\$220,000 if filing a joint return) a year in household income to qualify. The account must be established before the beneficiary reaches 18 years of age and the funds must be used by age 30.¹³

UGMA / UTMA

If you have investable assets such as stocks, bonds, annuities, or cash that you'd like to reserve especially for your child, another option is to put them into a custodial account. The money is an irrevocable gift (no take-backs allowed) that you control as the custodian until the minor reaches adulthood. Once the minor is of age, he or she can use the money for whatever they desire (the use of funds is not limited to certain qualified expenses). If considering a UGMA or UTMA, talk to your Financial Advisor.

TIP: Talk to your Financial Advisor about the different options available to determine what plan is most appropriate for your needs, as some saving strategies may have implications on financial aid eligibility.



WINNING PLAYS

529 Plans

Account owners have the flexibility to open other 529 plans if the state contribution limit is not high enough to cover costs. 529 beneficiaries are not required to use the funds before a specific age; therefore, the money may be used to pay for graduate or law school as well as undergraduate tuition. Depending upon the specific state plan's rules, the beneficiary can also be changed to another child, grandchild, or yourself, without penalty.

ESA

An ESA can be used to pay for a child's education from Kindergarten onward, which makes this plan an alternative option for parents looking to pay for private elementary, middle, and/or high school.

Special Circumstances

When it comes to raising a family, there is no one-size-fits-all approach. Certain circumstances may require additional preparation when it comes to the financial implications of family planning.

Adoption

Two of the least expensive forms of adoption are stepparent or kinship adoptions and adoptions through the foster care system. If you adopt through foster care, many states may provide subsidies to adoptive parents.

Domestic agency and private adoptions can range from \$15,000 to over \$40,000 depending on the agency, state requirements, and the costs required by the birth mother (to help pay for items such as rent, utilities, transportation, food, maternity clothes, cell phone, etc.). Additional expenses can include legal support, or the birth mother or child's medical expenses if there are complications. Finally, the cost of international adoptions typically ranges from \$20,000 to \$40,000, but may vary depending on travel expense and legal fees.¹⁴

Special Needs

If your child has special needs, you may consider establishing a special needs trust. Medicaid provides comprehensive health and long-term care coverage for lower income people.¹⁵ To remain under this low cap, you can provide for your special needs child by creating a special needs trust for your child to help ensure that any inheritance and life insurance payments be added to the trust. You may act as the trustee during your lifetime and designate an appropriate trustee to fulfill that responsibility when you are no longer able.

LGBT and Transgender Considerations

Parenthood is a life-changing event for everyone, but for the LGBT community, it can require particularly thoughtful planning. Whether you are deciding between adoption and assisted reproduction, or are considering undergoing cryopreservation prior to beginning your transition, there are an array of financial and legal considerations to take into account. Working with an Accredited Domestic Partnership Advisor can help you create a financial strategy that accommodates your unique situation and needs.

An alternative to adoption is assisted reproduction. Fees can range from \$120,000 to \$200,000,¹⁶ for IVF and surrogacy, but be sure to ask your chosen fertility practice for a detailed list of fees to avoid any surprises. Costs that may not be included in the initial estimate can include:

- Donor Fees
- Gestational Carrier Fees
- Surrogacy Plan Fees

If your journey to parenthood involves a surrogate, be sure to seek out proper legal advice and establish a Surrogacy Agreement. This binding contract between the intended parents and the surrogate helps clarify certain important points prior to beginning the In Vitro Fertilization (IVF) or surrogacy process such as who will have custody of the child if something happens to intended parents prior to the birth.



WINNING PLAY

If you adopt a child, you may be eligible for a tax credit to cover expenses such as adoption fees, attorney fees, and travel costs. For more information on Adoption Credit and Adoption Assistance Programs, head over to the IRS website.



New Parent Checklist

Create a baby buffer by saving up to six months of current living expenses.

Check your employer's maternity and paternity policies, and work-from-home options.

Consider purchasing life insurance or boosting your existing insurance.

Enroll your baby in your medical plan within 30 days of birth.

Create or update your estate plan to establish a guardian and preparations regarding financial support for your child if something were to happen to you.

Send in an SS-5 form to your local Social Security Office once the baby is born to request a social security number.

Talk to an accountant or tax specialist about certain tax benefits that you may be eligible for as a new parent (for certain child-related expenses such as childcare and/or adoption costs).

File a new IRS W-4 form with your employer to claim your child as a "dependent," which may decrease the amount you pay in taxes. If you are a single parent, consider the option of filing as "Head of Household" rather than "Single" on your tax forms.

Line up an in-network pediatrician.



If you were to pass away prematurely, would anyone be in a negative financial situation because of it? If the answer is yes, you need to consider life insurance.



An Insider's Guide to Insurance



If you were to pass away prematurely, would anyone be in a negative financial situation because of it? Is anyone financially dependent on you? If the answer is yes, it is important to consider life insurance.

What is life insurance?

Life insurance is a risk management tool. When you purchase a life insurance policy, you agree to pay an insurance company a premium and in exchange, they agree to pay your beneficiaries a lump sum when you die. As you accumulate wealth and assume more family obligations, the need to have insurance can really hit home. Even if people are not financially dependent on you, there are still expenses that come along with someone passing away (such as funeral arrangements or estate taxes) that you may not want anyone to be burdened with.

What type of life insurance policies exist?

There are two categories of life insurance: term life insurance and permanent life insurance. Term life insurance protects you for a set period of time, while permanent life insurance provides lifetime coverage (assuming all required premium payments have been made).

What are some of the features to consider when buying a policy?

CREDITWORTHINESS

It is important to purchase a policy from a reputable, creditworthy institution to avoid risk of default.

AMOUNT

A common mistake is the assumption that coverage provided by your employer is sufficient; however, the amount of coverage provided through an employer plan may not be sufficient to meet the average person's life insurance needs. If you were to leave the company, your life insurance may be convertible into a policy that you can own individually, albeit at higher premium rates, so it is important to understand your coverage.

DURATION

Depending on the duration of your policy, the pricing can vary. You can buy term insurance in durations of 1, 5, 10, 20 and 30 years.

What are the additional benefits of life insurance?

- It can be used as a wealth transfer tool. By putting your life insurance into a trust, it can be excluded from your estate and be passed on to the next generation in a federal transfer.
- It acts as a relatively low-risk investment. Permanent life insurance can become part of a diversified investment portfolio, as it presents a place for additional savings.
- It can be leveraged for retirement. If you are already contributing the maximum amount to your IRA or 401(k), consider using a permanent life insurance policy as another way to build tax-advantaged assets.



Petonomics: Your Pet Budget

While deciding to buy or adopt a pet does not have the same impact on your budget (or sleeping patterns) as having a baby, the costs can often be underestimated. The reality is that pets can be pricey. In addition to the original purchase or adoption fees, when you start tallying up the cost of vaccinations, food, pet gear, training supplies and grooming items, your four-legged finances can add up quicker than expected.

FACT:

The annual cost of owning a dog can range, on average, from \$1,390–\$5,295 a year.¹⁷

With unlimited puppy-eyed greetings, face licks, and purrs of content, welcoming a cat or dog into your family can provide a source of happiness and companionship that can't be measured by a price tag. However, here are some commonly overlooked costs to consider before leashing up:

Not all rentals or co-ops are pet-friendly

Pet-friendly rental premiums can jump to an average of 20% in certain cities.¹⁸

Pets don't count as a plus-one

When it comes to weekend plans, holiday travel, or destination weddings, dealing with a pet can be a hassle. With the cost of pet-sitting and/or boarding services starting around \$25/day, your "vacay" fund might get a little smaller.

Carpets aren't cheap

No matter how disciplined your training routine, accidents happen, and for some reason it's always on the carpet rather than the tile. Consider factoring in the cost of cleaning supplies and replacing chewed-up phone chargers, shoes, and couch cushions into your budget.

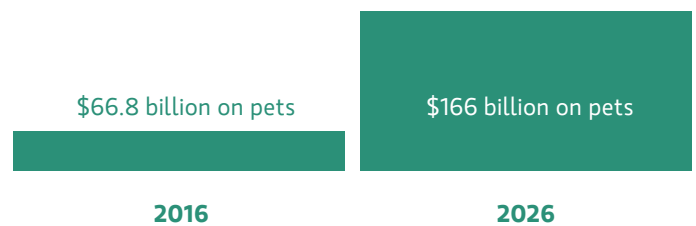
There is a communication barrier

Although you may wish your pet could talk, animals can't tell you if their stomach is acting up because they overdid it on the treats or because they accidentally swallowed a wine cork. When a pet is unwell, many times a vet will default to the "better safe than sorry" approach, and animal x-rays can be expensive.

Dogs aren't going to walk themselves

Unless your dog is trained to use an indoor bathroom and throw a ball against a wall to play solo-fetch, they need someone to let them out during the day. Dogwalker costs at approximately \$20/walk add up during the workweek. And your pet-parent responsibilities can limit weekend social activities when you have to cut the festivities short to get home and tend to your four-legged friend.

AMOUNT OF DISCRETIONARY SPENDING ON PETS



FACT:

Americans will spend \$166 billion on their pets in 2026.¹⁹

Questions to Ask Your Financial Advisor

- How should I create or adjust my will to make sure my child is protected in the event something happens to us as parents?
- What type of life insurance policies should I consider?
- How much life insurance do I need?
- How can I begin saving for my child's education once they're born?
- What are the financial preparations I should make to cover any income adjustments resulting from a (temporary or permanent) leave of absence?
- Are there any changes I should consider to my portfolio pertaining to family planning objectives?

Must Reads

What to Expect When You're Expecting

AUTHORS: HEIDI MURKOFF & SHARON MAZEL

The iconic classic and must-have book for parents-to-be.

The Expectant Father: The Ultimate Guide for Dads-to-be

AUTHORS: ARMIN BROTT & JENNIFER ASH

The best selling, information-packed reference book for expecting dads.

Lean In: Women, Work, and the Will to Lead

AUTHOR: SHERYL SANDBERG

Facebook's COO on balancing success and satisfaction at work and at home.

How to Talk So Kids Will Listen & Listen So Kids Will Talk

AUTHORS: ADELE FABER & ELAINE MAZLISH

The ultimate "parenting bible" on communicating with children from international experts and bestselling authors.

CITATIONS:

- [1] [It Costs \\$303,418 to Raise a Child Over 18 Years | LendingTree](#). (2026).
- [2] [New York Private Schools By Tuition Cost \(2026\)](#). (2026).
- [3] [Parents Juggling Financial Pressure and Planning: BMO Real Financial Progress Index — Aug 19, 2025](#). (2025).
- [4] [How Many Diapers Do I Need?](#). (2025).
- [5] [The Cost Burden of Maternity Care - Policy Center for Maternal Mental Health](#). (2026).
- [6/7] [Baby costs calculator: How much does a baby cost? | BabyCenter](#). (2025).
- [8] [Fact Sheet #28Q: Taking Leave from Work for Birth, Placement, and Bonding with a Child under the FMLA | U.S. Department of Labor](#). (2025).
- [9] [The State of Paid Family and Medical Leave in the U.S. — Center for American Progress](#). (2025).
- [10] [How much does it cost to raise a child? | USAFacts](#). (2024).
- [11] [Cost of Pregnancy: Insurance, How Much Delivery & Care Costs](#). (2024).
- [12] [Trends in College Pricing Highlights — College Board Research](#). (2025).
- [13] [Topic no. 310, Coverdell education savings accounts | Internal Revenue Service](#). (2026).
- [14] [How Much Does International Adoption Cost? | Considering Adoption](#). (2026).
- [15] [Introduction — Medicaid 101 | KFF](#). (2025).
- [16] [The Cost of Surrogacy, Egg Donation, & Third-Party IVF Explained](#). (2024).
- [17] [How Much Does a Dog Cost? Upfront, Annual, & Monthly Expenses](#). (2025).
- [18] [U.S. Pet-Friendly Housing Statistics 2025](#). (2025).
- [19] [Pet Spending Statistics \(2025\): Total Amount Spent per Year](#). (2025).
- [20] [American Pet Products Association \(APPA\)](#). (2020).

Disclosures

Investors should consider many factors before deciding which 529 plan is appropriate. Some of these factors include: the Plan's investment options and the historical investment performance of these options, the Plan's flexibility and features, the reputation and expertise of the Plan's investment manager, Plan contribution limits and the federal and state tax benefits associated with an investment in the Plan. Some states, for example, offer favorable tax treatment and other benefits to their residents only if they invest in the state's own Qualified Tuition Program. Investors should determine their home state's tax treatment of 529 plans when considering whether to choose an in-state or out-of-state plan. Investors should consult with their tax or legal advisor before investing in any 529 Plan or contact their state tax division for more information. Morgan Stanley Smith Barney LLC does not provide tax and/or legal advice. Investors should review a Program Disclosure Statement, which contains more information on investment options, risk factors, fees and expenses and possible tax consequences.

Insurance products are offered in conjunction with Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates.

Since life insurance is medically underwritten, you should not cancel your current policy until your new policy is in force. A change to your current policy may incur charges, fees and costs. A new policy will require a medical exam. Surrender charges may be imposed and the period of time for which the surrender charges apply may increase with a new policy. You should consult with your own tax advisors regarding your potential tax liability on surrenders.

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