



7700 Leesburg Pike, Suite # 402-B
Falls Church, VA 22043
Tel: (703) 448-9121 Fax: (703) 893-6485
Website: www.GillilandCPA.com



Client Update

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Financial Tips for Your Children

As a parent, you often wish you could impart wisdom gained over the years so your children won't make the same mistakes you did. What are the most important financial tips you should pass on to your children? Try these:

- *Graduate from College.* Even if your children are interested in pursuing careers that don't require a college education, encourage them to obtain a college degree first. It is much easier to go to college straight out of high school, before getting married or taking on other responsibilities. And financially, college graduates on average have higher earnings than nongraduates.
- *Develop written financial goals.* This will help your children think about their future and how to achieve their goals. As part of the process, encourage your children to get a money management system in place to track expenditures and organize information about assets and investments.
- *Live within their means.* As your children start lives of their own, help them make some fundamental decisions about how to live. Make sure they realize that the only way to save for future goals is not to spend all their current income. So, before your children decide where to live or what kind of car to drive, help them prepare a budget.
- *Utilize all retirement vehicles available.* As soon as your children are eligible, they should start contributing to a 401(k) plan at work. If their employer doesn't offer a 401(k) plan, teach your children the benefits of individual retirement accounts (IRAs), both traditional deductible and Roth.
- *Use Debt Sparingly.* If your children get into too much debt early in life, they can spend the rest of their lives struggling to get out of debt. Stress to your children that it is best to only use credit cards if they can pay the balance in full every month. Other debt, like car loans and mortgages, should only be taken on

after a careful analysis of whether your child can afford the payments and whether the purchase fits in with their financial goals.

Financial Outlook, Summer 2006

Financial Tips for Expecting Parents

As an expecting parent, you've got a million things to do before the stork arrives-getting a new crib, working out the delivery details with your doctor and not to mention picking out a name for your newborn. But don't neglect your finances.



Insurance: making sure you're covered. Upon learning the good news, adequate health, life, and disability insurance coverage should be at the top of your priority list. Simply knowing what medical expenses will be covered during the pregnancy is key. Many times insurance policies do not cover certain medical expenses and that can mean paying out of pocket at a time when money is tight.

Creating a life and disability insurance policy or increasing your existing coverage is also essential. In the event of a tragedy or a debilitating illness, you need to ensure that the mortgage is taken care of and that child care costs are covered. A good rule of thumb for disability coverage is 60 to 65 percent of your gross salary.

While many new or expecting parents may be reluctant to think about buying life insurance, you should make sure your policy covers 10 times that of your existing salary. The goal should be, if you are a new parent, to be able to replace the income you would generate until the child has grown up and left the house. Appointing a guardian is also important since you might prefer a parent or sibling to take care of your child instead of letting the court decide.

Balancing long-term plans and short term needs.

New parents should also make sure they balance the





needs of the newborn without sacrificing their own financial goals. While it might be tempting to scale back on 401(k) contributions, you run the risk of derailing your own retirement plans. At the same time, worrying too much about your own retirement might force you to charge diapers and baby clothes to your credit card, racking up debt that could be equally damaging. So where's the balance? A good deciding factor is age. Individuals who waited until later in life to have children may have already built up a significant retirement nest egg and can afford to start saving for their child's education or teenage braces. For younger parents, adhering to retirement goals should not be sacrificed for starting a college fund. If you do have to trim your 401(k) contributions, don't worry, your retirement is not in peril—just make sure you contribute enough that you get all of the employer's matching funds. If you or your relatives are set on starting an investment vehicle for your newborn, putting money into a 529 plan, a tax free college savings account, is recommended.

It's the little things. People should use pregnancy as a time to pay down debt since you will be spending a lot of time at home. Since the weeks following the birth are a hectic time, you should pay all of your bills for the next month right before the baby's due date so you can avoid late fees.

Take advantage of a flexible spending account if your employer offers one. Under this account, up to \$5000 can be deducted tax free from your paycheck to cover child-care expenses. While it may not cover the entire cost of child care in many cities, it can trim your out-of-pocket expenses. Getting a Social Security number for your newborn before you leave the hospital for certain tax breaks is also recommended. Besides potentially qualifying for child and dependent care tax credits and earned income credits, each dependent child on your W-2 means a \$3,200 deduction come tax season.

Of course there are also such money shortcuts as finding other new parents who may want to consider pooling resources to buy things in bulk. While a crib and car seat are worth purchasing brand new, other first-year items such as a stroller or a playpen might be worth buying second hand. All of which can mean giving your wallet a much-needed break.

http://money.cnn.com/2005/0713/pf/planning_parents

Adoption Process Tips

Adoption Costs. Adoption costs can vary in the type of adoption

services (agency or attorney) and the type of adoption program (domestic, international, foster care, or relative). Adopting from the foster care system, stepparent adoptions, and relative adoptions tend to be the least expensive. Domestic adoption costs can vary depending on the types of services offered, state fees, possible travel expenses, and possible birthmother expenses. The search process for locating birthparents can be expensive. Potential adopting parents can choose whether to pay for the location service or try to locate birthing parents on their own. International adoption expenses also vary depending on services, dossier fees, travel expenses, and individual country fees.

Financial Aid for Adoption. Adoption costs can be managed through careful financial planning. Some adopting couples have worked with friends, families and churches or other local organizations to raise money to help them with their adoption. Loans from a commercial lender or financial institution can be taken out to help parents with the cost of an adoption. Potential adoptive parents should check into their employer's adoption policies, since some companies will offer adoption benefits. Couples may also be eligible for an adoption tax credit. Government subsidies may be available for foster care adoptions or special needs adoptions. Medical expenses can be lessened if the birthmother has her own insurance or is eligible for Medicaid. In some cases, the adopting couple's insurance policy may cover the birthmother's medical expenses after the adoption.



Adoption Tax Credit. A federal adoption tax credit is available for up to about \$10,000 per child. This credit is available for domestic or international adoptions. Parents who adopt domestically can claim for qualifying expenses even if an adoption is unsuccessful. Parents who adopt a child from the U.S. with special needs can claim full credit without qualifying expenses. Some states offer tax credits as well, in varying amounts. Financial help is available by the state for adoptions of children with special needs. Adoption subsidies can assist families with the special needs expenses and services. Some companies also offer adoption benefits to assist with costs as well as paid or unpaid adoption leave. The federal tax credit must be honored in conjunction with any adoption benefits offered by employers.

http://adoption.lifetips.com/cat_62043/adoption-process/index.html