



# A MORTGAGE and A BABY

## ...can you have both?

It is estimated that on average many new parents will spend approximately \$25,000 on their child in the first four years, with 60% of this going in the first 12 months. If you have never given too much thought to your savings then now is the time to really focus on them.

It is amazing how much a tiny baby can turn your household upside down. New parents learn very quickly how to become flexible, not only with when they eat, sleep or take a shower but more importantly with their finances.

It is a widely held belief that "it is never the right time to start a family", whether it be for career, personal or financial reasons. Still, many of us choose to just go ahead and do it anyway. We are then forced to stick to a tighter budget and somehow we find that it usually works out ok. We find ways of "making it work".

It is true that we can often save money when we have to. However, for many couples, it is less stressful to know that we have done all we can to avoid financial stress. It's not fun worrying about money when we are sleep deprived and trying to work out how to settle our crying baby.

## 'Planning is the key'

A little forward planning now can make it easier to focus on what's important later . . . our family.

**Here are some ideas on how you can relieve the financial pressure of starting, or increasing, your family.**

The more time you have the better, but even if the baby is unplanned, you have at least seven months to prepare.

**1** **Get ready before the baby comes**  
Shopping for your new baby and preparing your home is fun. It's also worthwhile to do

a few things to get your finances ready while there are still two incomes. Pay off the credit cards, look for options to earn some extra money (eg overtime), set up a 'rainy day' account for unexpected expenses. It is also a good idea to trim back expenses or even stock up on non-perishables like cleaning products or gifts before your budget tightens.

**2** **Budgeting**  
If you don't have a household budget then now is the time to start. You need to know where your money is coming and going so you can find areas for potential savings.

Use a spreadsheet or paper to keep a log of your monthly income and expenditures. The earlier you can start this the better.

**3** **Practise living on one income**  
It is a good idea to start living off one income as soon as you find out you are expecting. On pay day immediately bank the second income into a savings account and see how you go managing your expenses. This will give you a good idea of where you need to cut back to manage after the baby arrives.

**4** **Make the most of your leave entitlements**  
Many companies offer paid maternity leave, and don't forget to investigate government assistance (either the baby bonus or paid maternity leave) now available to parents. It is important to speak with your employer and find out your options. If your employer has enough notice they can be more flexible. Ask whether you can use your accrued annual leave or long service leave. It may also be possible to take half pay but double the length of leave. Be proactive and explore options with your employer.

## 5 Take the pressure off

If buying a new home, it might make good sense to borrow less than you can afford. Make higher repayments before the baby comes if you can and then make minimum repayments after you drop to one income.

If your loan has an offset account, use it for the extra payments. You will reduce your loan interest but still have easy access to the funds once baby arrives.

## 6 Shop around

Just like you should shop around for the best price on essential baby items you should also shop around for the best options when considering refinancing your mortgage or other debt to lower your repayments. You will also need to consider any fees for a new loan.

## 7 Fixed interest rates can offer some peace of mind

Sometimes it's easier to know exactly what your repayments are going to be so you don't have to worry about potential rate rises. There are pros and cons but we can help you with more information to see if this is a good option for you.

## Some other options to have 'up your sleeve' if you get stuck

### 8 Repayment holiday

It's like a mini break away from your home loan. Some lending institutions offer the option to pay extra each month to get ahead on your repayments and then for a period of time you can stop paying the loan while you adjust to life on a single income. If your loan has a redraw facility you can also withdraw excess funds if you need them.

### 9 Is it in your best interest to pay interest only?

Switching from principal and interest payments to interest only means you have a lot less to pay each month. **Of course, this should only be a temporary measure.** You still need to repay the principal, so resume regular repayments as soon as you can.

## How we can help

We are happy to spend some time with you to make sure you have the information you need to make a decision. For example we can:

- determine whether you have access to any of these flexible options with your current loan,
- suggest lending institutions who can offer the loan features mentioned above,
- calculate loan repayments on properties of various values to determine affordability,
- research whether you will still be eligible for the finance you want if one of you stops working,
- find out what lending institutions offer a 'repayment holiday' to suspend repayments while one partner is not working,
- work out how much you will need to pay ahead on your loan to afford to cover your repayments during maternity leave, and
- investigate the possibility of refinancing your current debts to reduce your monthly repayments.

Don't forget to investigate government assistance available to parents. This may be the first time you have been able to access any government benefits. The baby bonus, paid parental leave, family tax benefit, child care benefit and child care rebate. These could all make a significant impact on your household budget.

NB: Things have changed slightly for babies born after 1st January 2011. For mums who worked in the ten months prior to their child's birth, the baby bonus will be replaced with paid maternity leave. This means they will receive a taxable payment for a maximum period of 18 weeks that equates to the Federal Minimum Wage, which currently stands at \$543.78 a week. Non-working mothers will still receive the baby bonus.

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right plans in place.