

A planning guide to postpartum finances

Below are some important considerations when budgeting for life with a baby. Consulting with a money-savvy friend, hiring a financial advisor for a one-time consultation, or using a budgeting app may be helpful for planning.

Understand your expenses

- **Track current expenses**, preferably for 2-3 months. If you use cards or online banking accounts, you can use historical statements to find an average monthly total. If you don't have a record, write down payments as you go or save receipts for a few weeks and total them up by category.
- **Include all non-negotiable costs**, like rent/mortgage payments, utilities, food, insurance, out-of-pocket care, and transportation costs.
- **Identify flexible costs**, like shopping, entertainment, and travel. These may also include temporary expenses, like a workshop fee or magazine subscriptions that can be paused.
- **Estimate new expenses**, such as diaper services, infant care supplies or potential out of pocket medical costs. Review what your insurance policy covers for adult and infant care, and choose a buffer amount within your means for unexpected costs. Include future costs of any planned childcare services in the first year. You might explore retail websites or local service providers to estimate new or unfamiliar expenses.
- **Estimate total costs for the first 3-12 months postpartum**, or the period you expect to be on leave from work. It is helpful to have a grand total that includes all expected and non-negotiable costs in the first year, and then break that down into monthly estimates. Total flexible costs separately so that you can add or remove them once you have a realistic budget estimate.

Assess your income

- **Estimate combined savings** that are immediately available and do not penalize you for accessing funds. Consider any high-priority costs (like a leaking roof) to which some savings must be assigned - subtract that amount from your total savings.
- **Estimate combined income**, including any paid leave (PTO, vacation time, etc.), any working parents' post-tax salaries or wages, or anticipated gifts. This will not include regular income for anyone using unpaid leave.
- **Avoid assumptions and special cases**, and err on the side of a lower estimate. It is better to plan for a smaller budget than overestimate your income if there is any question of job continuity, family support, etc.

Create a minimum and maximum budget

- **Use the lowest and highest expense estimates** from the previous section. The lowest estimate will include all the bare necessities and a “just in case” buffer. The highest estimate will include the basics, the buffer, and some or all of your spending on flexible or non-essential items or services.
- **Plan based on your minimum expected income.** This is a good strategy because it increases the likelihood of a natural financial buffer for unexpected events, and makes a reality of any additional funds that much more enjoyable and helpful.
- **Subtract your expense estimates from your income estimate.** The two resulting sums (one for minimum expense, one for maximum expense) will reveal if your future expenses are covered (a positive number), or if you need to save to meet the gap (a negative number).
- **Assign income to budgeted expenses**, using a pay period or monthly basis as makes sense for your situation. This means that your total income for a given month is pre-assigned to non-negotiable costs first, and any additional spending must come from funds that have not been assigned to current or future expenses.

Example (3 Month Period, no immediate savings or debts)

Current Expenses	Rent, Utilities, Insurance, Groceries	\$2,250/mo
	Shopping, Entertainment	\$200/mo
	Student Loan Payments	\$0/mo
Future Expenses	Diapers, Lactation Consult, Infant clothing	\$250/mo
	Car Seat, Stroller	\$500 (1 time)
	Range of Buffer Amount	\$1,000 - \$3,000
Estimated Total Expense	Min-Max over 3 months OR by month	\$9,000 - \$11,600 total \$3,000 - \$3866/mo

Estimated Income	Wages, Salary	\$3,500/mo
	Vacation/Sick Pay	\$4,500 total
	Accessible Savings	\$0
Combined Total Income	Over 3 months OR by month	\$15,000 total \$5,000/mo
Minimum Budget	After assigning income to essentials only, you'll have remaining:	\$2,000/month
Maximum Budget	After assigning income to essentials and flexible costs, you'll have remaining:	\$1,134/month

Costs of living, tax categories, family medical needs, and other factors mean that realistic estimates vary widely. This example is for process purposes only and is not meant as a reflection of average incomes or costs in a given area. It is generally recommended to over-estimate your costs to get the most realistic sense of your financial plan and spending realities.

We recommend going through this process with a few different scenarios representing your ideal spending, absolute essentials, and possible changes in income. Whether you identify a need to cut spending or find you are saving, it's worth assessing early on in your journey so that you can make any needed adjustments to your current habits, saving practices, or expense planning.