



# Can we manage a mortgage and a baby?

Many a new parent has been caught out realising our once organised calm life is a thing of the past when we bring our bundle of joy home. It's amazing how tiny babies can turn our household upside down. We quickly learn that we need to be more flexible about when we eat, sleep, go to the shops and even have a shower.

It helps to be flexible in your financial life too when the impact of a reduced household income and the expense of a new addition to the family start to become apparent.

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 or another we find that it usually works out okay. 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's 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.

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 (e.g. overtime), set up a 'rainy day' account for unexpected expenses. It's 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 a very good time to start one. It's sometimes surprising to see where the money is going but it certainly helps when you are trying to work out where you can cut back.

## **3** Practice living on one income

It's a good idea to start living off one income as soon as you find out that baby is coming. 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

If your employer offers paid maternity leave you may be able to take it at half pay for double the time. Also ask whether you can use your accrued annual leave or long service leave. These may also be able to be stretched out over time if taken at half pay.

## **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'll reduce your loan interest but still have easy access to the funds once baby arrives.

## **6** Shop around

Are there better deals around? Ask us if there are options to refinance your mortgage and other debt to lower your repayments. Of course, you need to consider all the fees associated with 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 loans 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:

- Do you have access to any of these flexible options with your current loan?
- What lending institutions offer the loan features mentioned above?
- Calculate loan repayments on properties of various values to determine affordability.
- Research whether you'll 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'd need to pay ahead on your loan to afford to cover your repayments during maternity leave.
- 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. Newborn Upfront Payment and Newborn Supplement\*, Parental Leave Pay, Family Tax Benefit, Child Care Benefit and Child Care Rebate, could make a significant impact on your household budget.

\* Newborn Upfront Payment and Newborn Supplement applies for babies born after 1 March 2014. The Baby Bonus is in place for babies born up until 1 March 2014.



Contact us for advice on your *individual circumstances*

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