

The financial reality of becoming a parent

Fiona, a Liberty staff member and Liberty client, shares her story of becoming a mother. She talks about the plans she made and how she learnt that no matter how well you plan, the unexpected can happen.

When we discovered that we were having twins I made plans to take additional unpaid leave on top of my maternity leave. We budgeted for a night nurse and the purchase of a bigger car. We thought we had it all mapped out.

The unexpected hospital bills

However, at 35 weeks we discovered that one of the twins had died and I was rushed in for an emergency caesarean section. The surviving twin was transferred to ICU and as I could not face seeing other happy moms when I had lost one child, I opted for a private ward.

Although I had a medical aid it did not cover the private ward. We also had to be on additional medication for thrush as result of all the antibiotics. We clocked up R9 000 of bills we had not expected.

The gift of funeral cover

As part of my employer's insurance, I had opted for funeral cover when I joined the company. At the time my husband had laughed and thought it was a silly thing to have, but we were so grateful that we had taken it out. The policy paid out within 24 hours and being able to give our little boy a proper funeral was a gift. When you are in an emotional state, not having to worry about where the money will come from is a relief. Now my husband, the sceptic, wants to take out additional funeral cover to provide for our parents.

Life cover was a non-negotiable

As part of my maternity leave plan, I reduced my premiums on my pension and retirement annuity contributions but I have reinstated these since coming back to work. I made sure I maintained my life cover and now that I have returned to work both my husband and I have increased our life cover benefits to provide for our son.

Education costs start early

While I was still pregnant with the twins we put their names down at four schools in our area. This cost us R2 000. On acceptance, we will have to pay between R3 500 and R7 000 as an upfront admission fee. We have started an education policy for our son and have asked our families to contribute to an investment fund for him rather than buying him gifts for his baptism.

Unbudgeted costs are a debt wish

Although we had some idea of the financial costs of having a child, we ended up spending more than we expected and we had to take on debt and postpone buying a family car.

Taking time off work and the costs of having a child have set us back financially. We spent R40 000 on all the paraphernalia that goes with having a baby – like a cot and pram and general baby items.

One of the unexpected financial shocks was that I was unable to cut my employer's contribution to the provident fund so I had to maintain payments during my unpaid leave. I also had to pay for our full medical aid and the premium had increased because of the new dependant.

I then fell pregnant unexpectedly just five months later. Although a wonderful surprise, it has added to our financial pressures and I needed to go back to work earlier than planned.

Managing the finances

We have had to review our lifestyle, especially with another baby on the way. We are focusing on getting out of debt and will have to get smart with our holidays. Rather than going overseas to visit family, we will house-swap with my parents in Durban, who will give us free accommodation and the use of their car. Eating out is now a thing of the past and I have to think twice before I purchase something – usually I land up putting it back on the shelf!

The hardest part of not earning an income was the guilt factor. People kept saying I should do things for myself, but it felt like a luxury we could not afford. I found myself spending only on necessities for the household and not a pair of shoes.

On reflection

One of the things I would have done differently would be to buy a less expensive house with a lower mortgage and proper domestic quarters.

I am glad that I took the time to establish myself in my career and at my company. I had time to prove myself so they have been able to be more flexible. They know I will catch up my time and do what it takes to get the job done.

Strategies to stay the financial course

Keep up your retirement contributions

If you cannot afford to, then you need to boost your retirement savings once you begin working again. If you take five years off work at the age of 35, you will need to contribute 18% of your salary to your retirement savings when you return to work in order to retire comfortably.

Never cash in your retirement savings

As tempting as it may be to settle those debts, if you cash in your retirement fund at the age of 30 you will have to save 23.4% of your salary to retire comfortably. Rather work out a debt repayment plan through your monthly budget and bonus windfalls.

Protect your earnings

Your company life cover is the cheapest way to make sure you can provide for your children, but don't ignore disability or critical illness cover. This is vital even for stay-at-home moms. If you are disabled or become critically ill, your family will have increased medical costs to carry. Your partner may also have to cut his working hours to care for you and the family.

Medical top-up

Unfortunately, due to changes to legislation around medical and insurance benefits, Liberty's Medical Lifestyle policy was closed to new business. However, existing clients still keep all of their benefits, including the insurability of future children.

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