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Beth Braverman

How To Raise Kids—and Still Save For Your Retirement

Where to spend, where to save and most importantly, how to prioritize it all.

As a new parent, you've undoubtedly learned that your tiny bundle of joy also comes with a big bundle of bills that can quickly blow your budget. But even though you'll be spending more on everything from diapers to clothing to make sure baby is well taken care of, it's also important to keep putting money away for your *own* future. Retirement may seem like some far-off dream, yet if you cut back on saving (even temporarily), you could compromise your nest egg. Not sure how to balance it all? Here are six tips to get you started.

1. Make a realistic budget—and stick to it.

Yes, tracking your spending can be a real chore, but it's the only way to understand exactly where your money is going. Look over a few months of your bills and bank statements to see where there's leeway to make changes. If you aren't sure where to start, consider following the 50/30/20 rule: 50 percent of your budget goes to necessities, like loan payments, food and rent; 30 percent goes to "wants" (in other words, fun but unnecessary expenses); and 20 percent goes to savings. Since costs for baby are bound to fluctuate as they get older, revisit your budget every few months to make sure it's still working for you.
Bright idea: Download a budget-planning app like Clarity Money to track your spending and provide cost-cutting recommendations tailored to your personal situation, like canceling that gym membership you haven't used in two years.

ally MONEY TIP

Join a warehouse club (in person or online) where you can buy groceries and baby supplies in bulk. At the end of each month, consider stashing the money you saved in Ally Bank's Online Savings Account, which tends to earn more interest than a brick-and-mortar bank because they don't need to pay for all of those real estate costs.

Besides the obvious ones like health insurance, your employer may offer other perks you're not taking advantage of. Look into whether they provide tax-favored reimbursements for transportation, health and childcare expenses, or even services like a free session with a financial planner. You'll want to contribute enough to your retirement plan to receive any match offered by your employer (think of it as free money!), but your ultimate goal should be to save at least 10 to 15 percent of your gross income.
Bright idea: If you get a salary bump, increase the amount you contribute to your 401(k) by a percentage point or two. You likely won't notice a difference in your take-home pay, but the extra money you're putting away will add up over time.

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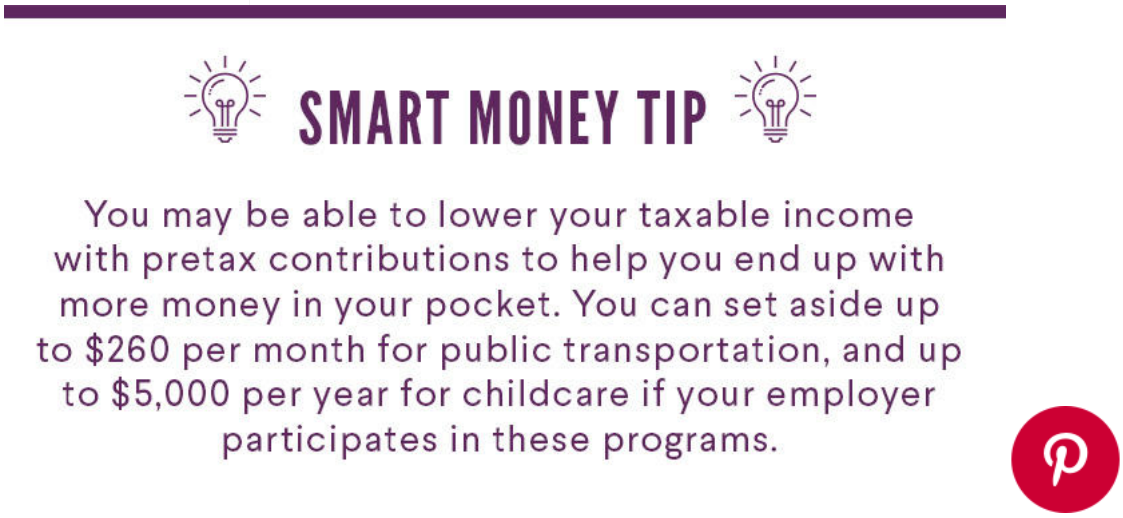

Sources: IRS.gov; IRS.gov*

3. Focus on paying off debt.

When it comes to your finances, high-interest credit cards are public enemy number one. Paying down that debt is a better return on your money than you'll find in any savings account, so it should be your top priority. Pay more than the minimum on the card with the highest-interest balance first before moving on to the next one (this is known as the avalanche method, which will help you get out of debt quicker and with less interest).
Bright idea: Set up autopay for all your bills—you'll never be charged for a late payment, and some companies even offer reduced interest rates to customers who enroll.

4. Fund retirement before college.

We know it may sound harsh, but think of it this way: There are loans and scholarships to pay for college, but no such options for old age. (Though how great would a retirement-community scholarship be?) So before you start saving for the kiddos' higher education, make sure you've paid off any high-interest debt, your emergency account is fully funded with at least six months worth of expenses, and you're meeting your retirement savings goals. Only then should you put money into a 529 college savings plan, where its earnings can grow tax-free.
Bright idea: If grandparents or other relatives want to help fund your kid's education, look for a 529 account that accepts third-party contributions. If yours doesn't, consider an app like Savvy Financial, which can transfer monetary gifts directly to the 529 plan.

5. Consider a spousal IRA.

Surprise: Staying home to care for your children doesn't mean you can't save for retirement. As long as you're married and file a joint tax return, you or your spouse can contribute up to $5,500 to a spousal IRA, which offers the same tax benefits as a traditional IRA: You don't have to pay taxes on the earnings until you start making withdrawals, and the money you put in is tax-deductible.
Bright idea: Before you file your taxes, check to see if you've hit the annual maximum IRA contributions yet (currently set at $5,500 per account if you're under the age of 50). Due to IRS rules, you can still make deposits to any IRA for the prior calendar year up until April 15.

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6. Teach your kids about money.

Disclaimer: Consider consulting a financial professional before making any major money decisions.

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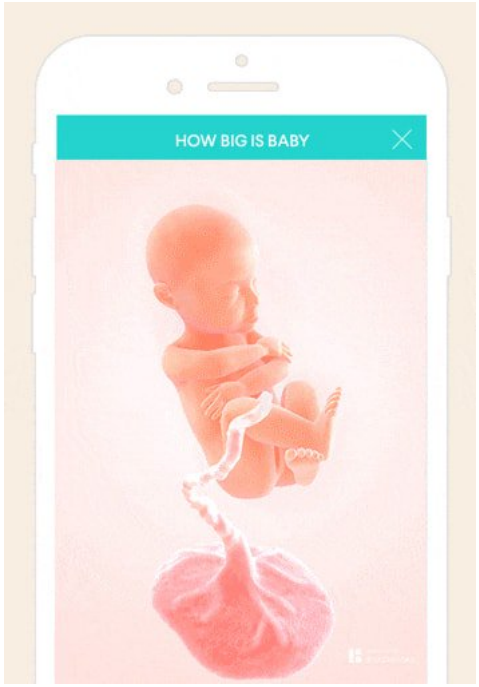

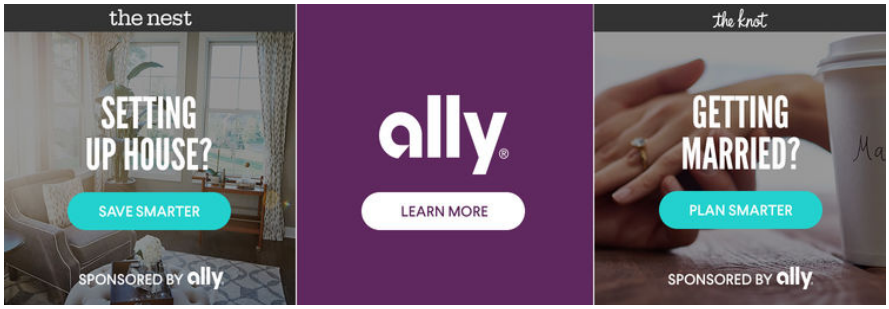

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