

# Baby Steps to Financial Peace of Mind:

A New Parent's Guide



*Financial and money-related decisions are likely the last thing new parents want to think about. To help ease your mind, we've put together a few tips to help navigate some of the financial considerations when welcoming a new baby into the family.*

## ABOUT NEWPORT PRIVATE WEALTH

Newport Private Wealth is among Canada's largest independent wealth management firms for high-net-worth individuals.

The firm offers professional investment management and full-service wealth management delivered through a team of multi-disciplined investment professionals averaging 24 years of experience. Based in Toronto, Newport Private Wealth is privately owned and managed by its professionals who, to ensure alignment of interests, have their own money invested alongside clients.

Newport Private Wealth's investment approach is purpose built for individuals who want to earn steady income to fund their lifestyle now or in the future, grow their wealth ahead of inflation and protect their capital from significant or permanent loss.

To achieve these objectives, Newport Private Wealth offers its clients the best of both worlds: the preferred access of an institutional investor with the personal service of a boutique.

Using its size and capabilities, Newport Private Wealth sources hard-to-access private investments, such as real estate, infrastructure, etc. to complement traditional stock and bond asset classes, so client portfolios are less dependent on the ups and downs of the stock market. For specialized expertise in these asset classes, it retains independent money managers – many of whom are unavailable to individual investors.

At the same time, the firm's style of personalized service, low turnover and high levels of client satisfaction\* evoke a boutique experience for the families it serves.

Newport Private Wealth's services are best suited to individuals with a minimum of \$1 million to invest. Individuals with less than \$1 million can access Newport Private Wealth's investment management capabilities through its division, Lonsdale Portfolios.

We take a different perspective.  
Yours.

\* 97% client satisfaction rating as measured in a 2013 third-party survey conducted by Advisor Impact.

*This worksheet may seem long but not everything will apply. Go at your own pace and know that you don't need to do everything at once.*

## ADMINISTRATION

### ❑ REGISTER A BIRTH

All babies born in Ontario must be registered with the province within their first 30 days. Service Ontario, the Canada Revenue Agency (CRA) and Service Canada have a joint Newborn Registration Service, providing a 4-in-1 registration for your baby's birth registration, birth certificate, Canada Child Benefits (see below) and Social Insurance Number (SIN). The online process is relatively quick to complete and will save the headache of applying individually.

(Note: do this before your baby turns one or the government requires additional paperwork.)



### ❑ PASSPORT

Your baby will require a passport if you are travelling outside of Canada. The application requires proof of citizenship (i.e. birth certificate) and two passport photographs. Make sure to pencil in some extra time when getting photos taken for newborns; just like adults, they must be sitting, with their eyes open and mouth closed – you may want to dress them in baggy clothes to hide your hands to help them sit.

(Note: if you are expecting and close to your due date, be cautious when travelling to other countries. Children born in the U.S. become U.S. citizens and are subject to tax filings and potential U.S. taxes later in life.)

Notes:

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## INSURANCE

### ❑ PROVINCIAL HEALTH COVERAGE

In Ontario, children qualify for Ontario Health Insurance Plan (OHIP) coverage if they are born in Ontario and the province will be their primary place of residence. It is best to apply within 90 days of the birth of your child by submitting the necessary documentation to Service Canada (i.e. confirmation of the baby's birth, parents' proof of residency and identity).



### ❑ MEDICAL INSURANCE

Make sure to review your employer's coverage, as well as changes in deductibles, when adding a new family member. Consider additional private insurance, if necessary.

### ❑ LIFE AND DISABILITY INSURANCE

Welcoming a new baby into your family means you will have an additional person that is dependent on your income. While no one likes to think about it, check your life and disability insurance coverage to ensure adequate financial support in the event of your untimely death or disability.

## TAX PLANNING

### ❑ CLAIM MEDICAL COSTS

Qualifying non-reimbursed medical expenses can be claimed as a non-refundable tax credit. A list of eligible expenses is available on the CRA website, including: fees paid to medical professionals; travel expenses, including parking or mileage; obstetrical care, pre-natal and post-natal treatments; fertility programs; hospital services such as room upgrades etc.

(Note: keep your receipts; you'll need them when filing your tax return.)

## Notes:

### ❑ CHILD CARE EXPENSE DEDUCTION

Child care expenses qualify as a deduction against income, which lowers taxable income and therefore reduces overall taxes paid. The parent with the lower income can claim up to \$8,000 per child under the age of seven, or \$5,000 for each child under 16. Expenses can include day care costs, camp fees, sporting costs etc.

(Note: be sure to retain a receipt from each care provider.)

### ❑ INCOME SPLITTING OPPORTUNITY

Couples with at least one child under the age of 18 can claim a non-refundable tax credit equal to the amount that would be realized by transferring up to \$50,000 of taxable income from the higher-income spouse to the lower-income spouse. The maximum benefit is limited to \$2,000 per family.

## GOVERNMENT ASSISTANCE

### ❑ CANADA CHILD BENEFITS

The government provides financial assistance for Canadian families through programs such as Canada Child Tax Benefit (CCTB), Universal Child Care Benefit (UCCB) and other provincial related programs such as the Ontario Child Benefit (OCB). Canada Child Tax Benefits begin around \$100 per month for each child under 18 but amounts vary depending on total family net income. In addition, the UCCB provides families with direct financial assistance of \$160 per month for every child under the age of six and \$60 per month for children over the age of five and under 18. This benefit is available to all families, regardless of income level, to help cover the cost of a child. For more information on or applications for child benefits, visit the CRA or Service Ontario websites.

### ❑ REGISTERED EDUCATION SAVINGS PLAN (RESP)

Open an RESP account for your child and begin saving for their post-secondary education. RESPs benefit from government assistance in the form of grants and bonds, as well as tax deferral on income and investment growth within the plan. Capital compounds over time and tax is deferred until funds are withdrawn from the plan by the beneficiary, typically at their lower marginal tax rate.

(Note: anyone can contribute to your child's RESP. You may want to suggest to grandparents, aunts or uncles and friends to contribute to your child's RESP in lieu of buying presents.)

## Notes:



### ESTATE PLANNING

#### ❑ WILL AND POWER OF ATTORNEY

All parents, regardless of asset level, should have a will and named power of attorneys to ensure their wishes are followed in the event of an untimely passing or prolonged incapacity. This determines not only how assets or property will be handled but also who will become the guardian of your minor children.

(Note: assigning 'godparents' is not legally binding; guardianship must be formally identified in a will.)

Grandparents may want to also revisit their estate plan to review whether grandchildren are listed beneficiaries and under what terms.

#### ❑ TRUSTS

Establishing a family trust can provide many benefits when welcoming a new generation. Income splitting using a family trust proves to be an effective way of transferring taxable income into the hands of children or grandchildren, benefiting from their lower marginal tax rate. Family trusts may also be used to provide protection for disabled children.

#### ❑ CHILDREN WITH SPECIAL NEEDS

The government provides immediate financial assistance to families with disabled children (i.e. child disability benefit, disability tax credit etc.). To help save for longer-term financial security, a registered disability savings plan is available where the government provides matching grants of up to 300% of contributions, up to \$3,500. In addition, the government will pay bonds up to \$1,000 per year to low-income Canadians with disabilities.

(Note: contributions are not tax deductible but can be made until the beneficiary is 60.)

## BUDGETING

### ❑ FRUGAL IS THE NEW FASHION

According to a Canadian study, the average cost of raising a child in Canada to age 18 is approximately \$250,000. That equates to \$1,150 per month, per child before factoring in post-secondary education costs – and, all this in after-tax dollars! Some strategies to help minimize this cost include: ditch the brand names, watch for sales, and only purchase what you need. It is hard to resist those teeny tiny designer jeans but the reality is that babies outgrow outfits often before the tags come off.

(Note: buying and selling second hand is also a great way to purchase items for a fraction of the cost or, alternatively, put some extra cash back into your pocket.)

### ❑ SAVINGS PLAN

A new baby will change the way you spend and at the same time, parents may experience reduced income levels as a result of maternity or paternity leave. This may reduce any current savings plan and force you to revise your budget to incorporate your new family member. Once your budget is in place, a good practice is to pay yourself first. This means each month think of your savings as a bill that must be paid, building adequate funds for emergencies and retirement.

(Note: paying yourself first will only work if you have set a realistic budget that you can stick to.)

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The recommendations above are general in nature and no specific strategy or planning idea should be undertaken without first consulting with your estate lawyer, accountant or tax advisor. This information is for information purposes only. It does not constitute an offer or solicitation in any jurisdiction to any person or entity to sell or buy securities.

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