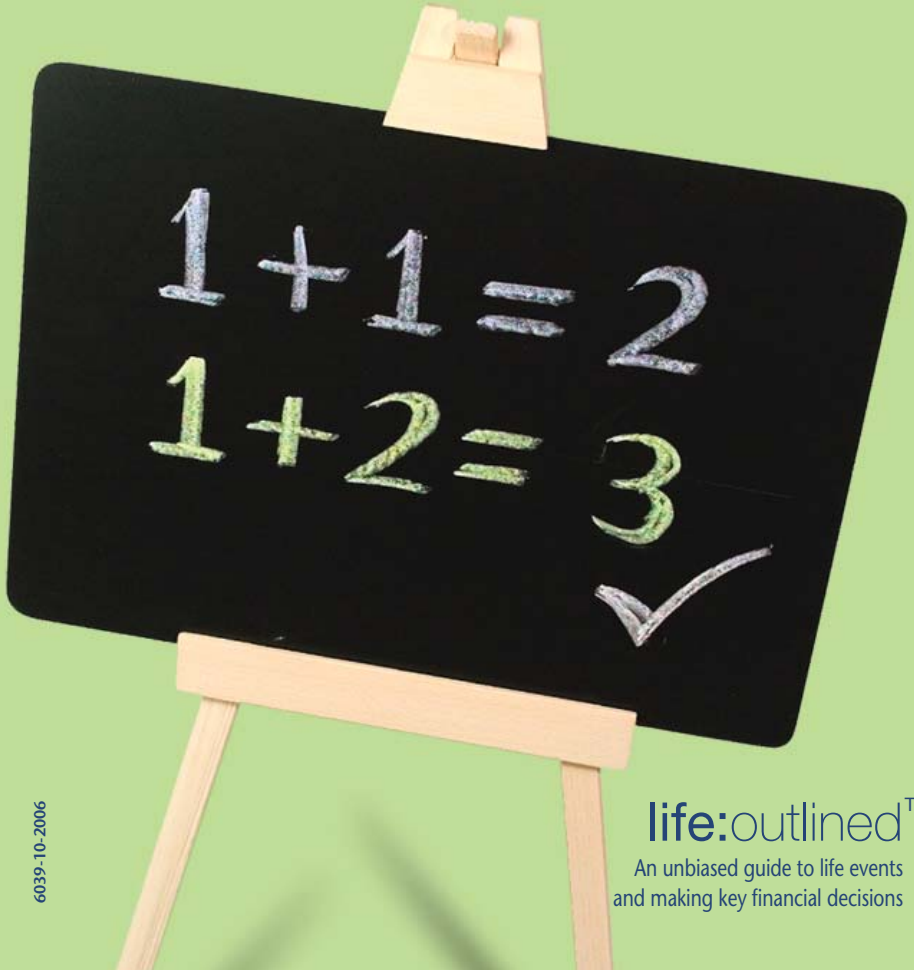


# outlined:parenthood

Preparation, benefits and cost



## What is life:outlined™?

Every stage of life brings challenges. Standard Life has created life:outlined™, a tool that provides you with unbiased information to guide you through life's events and help you make key financial decisions.



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It's thrilling. And terrifying. And joyful. And expensive. While finding out that you are to become a parent is wonderful, the financial implications of having a child can also make your new role seem daunting. Not only do you have to consider the cost of an extra mouth to feed and body to clothe, but you must also think about all the 'extras' that a child needs over the course of their lifetime. You will want to provide your child with the very best—and there's no getting around the fact that the cost is significant.

There is already a wealth of information about the physical and emotional aspects of pregnancy and parenthood. This document is not intended to replace such information, but aims to draw your attention to the financial aspect of parenthood. Keep in mind as you read that while the amount of money needed can seem very high, it is manageable. Each year in Canada, hundreds of thousands of new parents incorporate new babies and new expenses into their lives—and are delighted with their new situation. With some planning, you will be too.

Whether you are thinking about starting a family or are already expecting your first child, now is the time to reassess your finances. Planning ahead now means that you can be sure you will be able to give your new addition the best possible start in life.



## PLANNING AHEAD

### What costs are involved?

To plan for the future and ensure that you will be able to meet the cost of raising your child, you should think ahead and try to imagine what costs might be involved. This is more complicated than you might expect, since research on family spending shows there is no single fixed cost of raising a child<sup>1</sup>. The cost of raising *your* child will depend on a number of variables, including how much you earn, where you live, and how many children you have. However, there are a few main areas to consider that will help you determine some of the immediate and long-term costs.

In the short term, if you are employed, you should evaluate the financial implications of taking maternity and/or parental leave to spend time with your new baby. If you want or need to return to work after your leave, you may have to consider the cost of childcare. And if you want to continue to care for your child yourself after your leave (if you take one), you must consider the financial implications of losing your income, as well as the impact a career break could have on your future prospects.

In the longer term, you may want to consider factors like education and recreation. While Canada has an extensive public school system, you may want to consider private education, which can involve significant tuition fees. Later still, your child may wish to continue their education at college or university. As well as the cost of maintaining your child during their period of study (if you do not wish them to support themselves), you now also have to consider the cost of higher education.

As for recreation, you should take into account that throughout their childhood, your child is likely to take up a number of hobbies. Depending on whether your child needs lessons or special equipment, these may incur a cost. Note that these costs are likely to increase as your child gets older. You should also plan to spend more on your vacations. Taking a child on holiday can be wonderful—and costly.

<sup>1</sup>Source: Department of Justice Canada, “10 things you need to know.” [www.justice.gc.ca](http://www.justice.gc.ca)



## KNOW YOUR RIGHTS

### What leave are you and your partner entitled to?

Given that they meet certain conditions, Canadian parents—mothers and fathers—are entitled to unpaid time off work to care for their new babies. During this time, their jobs must be protected and they cannot be dismissed. The conditions and amount of time vary by province, so you will want to check the legislation that applies to you. The Human Resources and Social Development website is a good place to start—it has a detailed chart regarding unpaid leave in all the provinces. For more information, see the websites listed at the end of this guide.

Note that there are three types of unpaid leave: Maternity (for mothers only), Parental (which can be taken by either parent) and Adoption (which can be taken by parents who are adopting a child).

The time available for Maternity Leave is generally 17 weeks, but this can vary by jurisdiction (it is 15 weeks in Alberta, and 18 weeks in Quebec and Saskatchewan). Parental leave is generally 37 weeks (52 in Quebec and Nova Scotia). Adoption Leave is 52 weeks in Newfoundland and Labrador, Nova Scotia, P.E.I., Quebec and Saskatchewan. It is 37 weeks in all other jurisdictions.

Generally, to qualify for these types of leaves, you must have worked for the same employer for a certain period, except in British Columbia, New Brunswick and Quebec, which do not have such a requirement.

### What benefits are you and your partner entitled to?

If you qualify, you may also receive benefits from the federal government's Employment Insurance Act. If you live in Quebec, you may receive benefits from the Québec Parental Insurance Plan. The plans for Quebec and the rest of Canada are quite different, so make sure to take your province of residence into account when calculating what your benefits will be.

As a general rule, the benefits amount to a percentage of your regular income. In all provinces except Quebec, the rate for 2006 is 55% of your average insured earnings up to a **maximum of \$413 per week**. Like unpaid leave, there are different types of benefits: maternity benefits (for mothers only) and parental benefits (for either parent, and for adoptive parents). Under Canada's Employment Standards Code, birth mothers may receive up to 15 weeks of maternity benefits. Parental benefits, taken by either parent, including adoptive parents, will be paid up to 37 weeks.



In Quebec, parents have a few more options: they must choose between the basic plan or the special plan. The basic plan offers a longer leave, but slightly lower benefits. The special plan offers slightly higher benefits, accompanied by a slightly shorter leave. There are also four different types of benefits in Quebec: maternity benefits (for mothers only), paternity benefits (for fathers only), parental benefits (for either parent) and adoption benefits (for parents who adopt). The amount of benefits received can be up to 75% of a maximum insurable income of \$57,000, which means that the **maximum weekly benefit is \$822.11**. This will vary depending on the type of plan you choose, so be sure to refer to the Québec Parental Insurance Plan site for details and to use their online calculator.

Note that some workplaces “top-up” their employee’s maternity and parental benefits. Make sure to find out your employer’s policy on supplementing benefits, as this can make a big difference to your financial planning!

## What other financial support is available?

There are additional benefits and tax breaks available to Canadian parents. Note that they are not all automatic. You will need to apply for some of them, so be sure to request and submit the appropriate applications. These benefits include:

## Universal Child Care Benefit (UCCB)

In 2006, Canada introduced the Universal Child Care Benefit (UCCB). This benefit is paid on behalf of all Canadian children under the age of 6 years in installments of \$100 per month per child. This benefit is not tied to your income—it is \$100 per month per child, no matter how much money you earn. Note, however, that the benefit is taxed.

## Canada Child Tax Benefit (CCTB)

This is a tax-free monthly payment made to eligible families to help them with the cost of raising children under age 18. It may include the National Child Benefit Supplement (NCBS), a monthly benefit for low-income families with children, and/or the Child Disability Benefit (CDB), a benefit for families with children who qualify for the disability amount.

The amount you can receive with this benefit is based on a number of factors, including your income, province of residence, and childcare expenses. The Canada Revenue Agency has an online calculator that can help you determine what your Canada Child Tax Benefit may be. See the list of useful addresses for more information.



## Provincial and Territorial Programs

The Canada Revenue Agency also administers eight provincial and territorial programs. These are:

- Alberta Family Employment Tax Credit
- BC Family Bonus
- New Brunswick Child Tax Benefit
- Newfoundland and Labrador Child Benefit
- Northwest Territories Child Benefit
- Nova Scotia Child Benefit
- Nunavut Child Benefit
- Yukon Child Benefit

You don't need to apply separately for these programs because CRA uses the information from your Canada Child Tax Benefit to determine if you are eligible. However, if you live in one of these jurisdictions, you may be curious about whether or not you are eligible and, if so, what you can expect to receive. Visit the Canada Revenue Agency website at [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca) for full details.

While in the past, women generally took on the role of primary caregiver, nowadays men are more actively involved in looking after the children.

## THE CHILDCARE CHALLENGE

Because most families rely financially upon paid work, you will have to decide how best to arrange work and childcare once Maternity and Parental Leave or Adoption Leave are over. Although in the past women generally took on the role of primary caregiver, these days many mothers work, either because they do not wish to give up their career or because they cannot afford to do so. Equally, men nowadays are more actively involved in fatherhood, some opting to stay at home and look after the children. The growing trend for working at home, telecommuting, and flexible hours also gives parents more choice about how they organize their roles and responsibilities as parents.



Combining work and parenting can be a difficult balancing act for both mothers and fathers, but it is up to you to find the combination of work and childcare that suits your family best. It could mean that one parent stays home full-time, one or both parents work part-time, or both parents work full-time and your child is cared for by a third party. Although every family is different, you may find it helpful to talk with other parents in similar situations.

Whatever arrangements you decide on, make the most of the very special first months of parenthood. This is an important time in the bonding process between parent and child, and the stronger bond you form, the easier your child will find it to cope with the many and varied challenges of growing up.

## Who will look after your child when you go back to work?

All parents returning to work are faced with tough questions. What is the best childcare for my baby now? Can I afford it? Will my child need a different type of care in a few years' time? You want someone who will not only care for your baby's physical needs but their emotional needs as well. Your chosen caregiver will also have to be able to meet your child's changing needs as they grow older.

There are several basic types of childcare to choose from:

- **Own-home care:** Many parents choose informal, privately arranged types of care either within their own home or at the home of caregivers, such as grandparents and other relatives, friends, babysitters and nannies. This provides the greatest flexibility; it is also often used for short-term care needs.
- **Other-home care:** Parents may also arrange to have their child cared for in another person's home. This daycare provider could be a relative, or it could be a person who runs a home-based daycare service.
- **Centre-based care:** This takes place in a formal daycare centre, where children are cared for in a group setting. These can be run privately, by the municipality, or they can be managed by a board of directors as a non-profit facility. They can even be run by a company that would like to provide daycare services to its employees. Depending on your location, daycare centres can have very long waiting lists, so it is a good idea to get on a waiting list as soon as possible. In major cities, it may even be a good idea to put your name on a waiting list before your child is born!



Note that “other-home” care and centre-based care can be unlicensed or licensed. The second category of childcare has a more formal or structured approach. Unlike informal care, licensed programs are subject to provincial/territorial regulations and are inspected and monitored. They must meet set standards, including: the number of children for each staff, group size, minimum play space per child, nutrition, health, safety, outdoor play.

For specific information about licensing regulations in your province or territory, call your provincial/territorial licensing authority. For specific by-laws governing childcare, contact your local or regional government in the blue pages of your telephone directory.

Whatever type of childcare you choose, make sure that you are happy with who is looking after your child. Children can benefit from high quality day care so spend some time choosing a facility with which you are comfortable. It takes time to adjust to returning to work. But ensuring that your child is receiving the best available care means that you can retrain or return to work with relative peace of mind.

## Finding childcare

Finding a daycare provider you are happy with can be time consuming. There is no centralized database or source of information on providers in Canada, so you will need to conduct a local search. A few good places to start:

- For information about local childcare services, look in the yellow pages directory for “Day Care Centres and Nurseries” or “Social Services Organizations.”
- Talk to people who may already have conducted searches, or who are likely to know this kind of information. Other parents in the neighborhood, family, friends, and your doctor can all be helpful.
- Community information centres, recreation centres, local newspapers, local children’s stores (which may have bulletin boards) are also good places to look.

It’s important to begin your search well before you need the childcare, as finding a solution that meets your needs can take some time. In addition, you may be faced with long waiting lists, so it’s best to get your name down as early as possible.



## How much does childcare cost?

Childcare costs vary considerably depending on where you live, what type of childcare you use, and how often you use it (i.e., full or part time). Care is generally more expensive for infants, who require more hands on attention than toddlers and older children. The range can be anywhere from \$7 a day in Quebec, to \$1200+ a month in Toronto. In 2005, the CBC broadcast an indepth review of Canadian daycare costs.<sup>1</sup>

Before choosing childcare, weigh up the cost against your potential earnings. Sometimes it makes little financial sense for a parent to return to work if they have to pay for childcare. By the time this cost and other expenses, such as travel to work, are deducted from your pay, you may be little better off than if you stayed at home with your child. Of course, you also need to weigh this against the cost of disrupting your career. Coming to a decision you are happy with can involve a number of factors, so be sure to give yourself some time to think about what will work best for you, for your family, and your new child.

## Assistance in paying for childcare

You can claim a childcare expense deduction when you file your income tax return. Note that the claim must be made by the parent with the lower income (unless the parent with the higher income is enrolled in an educational program).

Government-subsidized daycare exists for low-income families. The criteria for these provincial/territorial programs vary considerably and the same family may be treated quite differently depending on where they live in Canada. To find out if you qualify, and to apply, you will need to contact your provincial government.

**Give yourself some time to think about what will work best for you, your family, and your new child.**

<sup>1</sup> Click here to view. (<http://www.cbc.ca/news/background/daycare/daycarecosts.html>)



## FINANCIAL PLANNING

As well as following your doctor or midwife's guidelines about looking after yourself and your baby during and after pregnancy, making certain financial plans can help make your baby's future even brighter. If possible, begin saving before you start a family. Having a nest egg available to help pay for the essentials that your baby will need, and to supplement your income while taking time off from work, can be invaluable. Following are some additional steps you may want to consider.

### Review your insurance

When you're anticipating a new child, the last thing you will want to think about is death. However, it is important that you do so. To help ensure your peace of mind, you should take steps to make sure that your family will not want for anything if something happens to you. So make sure you review your life insurance coverage and increase it accordingly when you have a child.

You may also want to consider options like critical illness insurance—for you *and* for your child. It is distressing when any family member falls critically ill, but this is particularly so when the

family member concerned is your child. Knowing that you will have extra money to help if your child becomes seriously ill can be a considerable weight off any parent's mind.

Your insurance representative will be able to help you review your current plans, and advise you on any changes you should make to help provide for your family—no matter what happens.

### Review your will

Whenever you experience any major life change, you must ensure that you review your will and make any necessary amendments. If you become a parent for the first time, or add to your family, and wish your new child to be one of your beneficiaries, make sure that you have their name included in your will.

Making amendments to a will can sometimes be more costly than having a new will drawn up. Ask your lawyer for advice and request a quote before engaging their services. You may find our booklet **outlined:making a will** of help.



## Save for your child's education

With the cost (and importance) of post-secondary education on the rise, it's a good idea to start thinking now about helping your child pay for higher education. While it may seem a long time in the future, the length of time works to your advantage—it gives you time to start saving now.

One popular method that many parents consider is the Registered Education Savings Plan, or RESP. These became particularly popular in 1998, when the federal government introduced the Canada Education Savings Grant (CESG).

The CESG program grants up to \$400 per year (lifetime maximum of \$7,200 total per child) as an additional RESP contribution for anyone investing in these products. There are no tax deductions for contributions made to an RESP, but the savings grow tax-free until a child named in the RESP enrolls in education after high school. Both the CESG and interest income are taxable when withdrawn. However, since students will likely have relatively low income, as well as offsetting credits for tuition costs, the tax treatment should be favourable.

Human Resources and Social Development Canada has detailed information on what RESPs are and how they work at [www.sdc.gc](http://www.sdc.gc). Their website also offers a list of RESP providers.

Note that if you live in Alberta, your child may also be eligible for the Alberta Centennial Education Savings Plan. This deposits an additional \$500 into your child's RESP the first year, and \$100 grants in following years. Visit the Government of Alberta website for more information.

Finally, families with net incomes of less than \$35,595 may also qualify for a Canada Learning Bond, and an extra \$100 a year for up to 15 years. This money can be used to pay for full-time or part-time studies in an apprenticeship program, a trade school, CEGEP, college, or university. If you feel you may qualify, visit the Human Resources and Social Development Canada site for more information.

## Get expert advice

Before making any major financial plans, speak to a financial advisor or insurance representative about your circumstances and goals. With their expert knowledge of financial products, these professionals can help ensure that every financial decision you make is an informed choice.



## CONCLUSION

Whatever choices you make about how you raise your child, there is one guarantee: it will be expensive. Saving for the essentials that your baby will need, and to supplement your income when you are on leave from work, can help relieve any immediate financial concerns. After all, pregnancy and the first year of your child's life can pass very quickly and you will want to enjoy this time free from worry.

Finding out about the rights and benefits that you are entitled to can also give you peace of mind and ease the financial burden of having a child. Looking further to the future, paying into an educational savings plan and adding their name to your will are just some of the ways you can help give your child a bright and secure future. You will want to give your child the very best that you can, whatever your financial circumstances. Planning ahead now can help you provide your child with all that they need, and more.

**Pregnancy and the first year of your child's life can pass very quickly and you want to enjoy this time – worry-free.**

## USEFUL ADDRESSES

**Information on Maternity/Parental/Adoption Leave**  
[www.sdc.gc.ca](http://www.sdc.gc.ca)

**Information on Maternity/Parental/Adoption Benefits (other than Quebec)**  
[www.hrsdc.gc.ca](http://www.hrsdc.gc.ca)

**The new Quebec Parental Insurance Plan**  
[www.hrsdc.gc.ca](http://www.hrsdc.gc.ca)

**Universal Child Care Benefit (UCCB)**  
[www.cra-arc.gc.ca](http://www.cra-arc.gc.ca)

[www.universalchildcare.ca](http://www.universalchildcare.ca)

**Canada Child Tax Benefit (CCTB)**  
[www.cra-arc.gc.ca](http://www.cra-arc.gc.ca)

## RESPs

**Government of Canada RESP Information:**  
[www.hrsdc.gc.ca](http://www.hrsdc.gc.ca)

**List of RESP Providers:**  
[www.hrsdc.gc.ca](http://www.hrsdc.gc.ca)

**Alberta Centennial Education Savings Plan (ACES):**  
[www.advancededucation.gov.ab.ca](http://www.advancededucation.gov.ab.ca)

## CHILDCARE INFORMATION

The following links will help you find information on childcare in your province of residence. Some provincial government sites offer links to actual daycare providers, while others do not. You will still have to conduct your own search for suitable childcare in your area. However, these links may point you in the right direction, or give you an idea of what to look for.

**Alberta:**  
Alberta Children's services:  
[www.child.gov.ab.ca](http://www.child.gov.ab.ca)  
[www.child.gov.ab.ca](http://www.child.gov.ab.ca)

**British Columbia**  
Childcare search tool:  
[www.childcareinfo.gov.bc.ca/ChildCare/](http://www.childcareinfo.gov.bc.ca/ChildCare/)

**Manitoba:**  
[www.gov.mb.ca](http://www.gov.mb.ca)

**New Brunswick**  
[www.gnb.ca](http://www.gnb.ca)

**Nova Scotia**  
[www.gov.ns.ca](http://www.gov.ns.ca)

**Nunavut**  
[www.gov.nu.ca](http://www.gov.nu.ca)

**Ontario**  
City of Toronto Children's Services:  
[www.toronto.ca](http://www.toronto.ca)

**Ontario Early Years program may be able to provide a listing of childcare services in your community:**  
[www.ontarioearlyyears.ca](http://www.ontarioearlyyears.ca)

**Prince Edward Island Early Childhood Development Association of P.E.I. :**  
[www.ecda.pe.ca](http://www.ecda.pe.ca)

**Quebec**  
[www.mfacf.gouv.qc.ca](http://www.mfacf.gouv.qc.ca)

**Saskatchewan**  
[www.sasked.gov.sk.ca](http://www.sasked.gov.sk.ca)

**Yukon**  
[www.hss.gov.yk.ca](http://www.hss.gov.yk.ca)

**Report on Child Care in Canada:**  
[www.statcan.ca](http://www.statcan.ca)

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It is, as well as any recommended reading and reference materials mentioned, for general information purposes only, and is intended for the relevant Canadian jurisdiction only and to reflect the law at the time of writing.

The material is not a substitute for obtaining professional advice from a qualified person or firm. Consult the appropriate professional advisor for more complete and up-to-date information.