Financial Steps to Take After a Child Is Born

The arrival of a newborn can be a joyous occasion. Even while emotions are at their peak, though, you shouldn't neglect the practical aspects. Several steps should be taken to protect the family's finances, and the sooner the better.

Social Security

Start with Social Security
Assuming the birth takes place in a hospital, ask for a birth registration form; most hospitals distribute them to maternity patients. Check the box on the form to request a Social Security number for your baby. You'll have to supply the parents' Social Security numbers.

If the birth doesn't take place in a hospital, or if there's some other reason this form isn't available, contact your local Social Security office to get the process started. The same is true if you're adopting a child.

Once you have the Social Security number, you'll be on solid ground for claiming tax benefits. Those include an additional dependency exemption and perhaps the child tax credit. You'll also be able to open savings and investment accounts in the child’s name.

Notify your employer
Another key step is locking in health insurance for the newborn. If you're covered by an employer plan, let your employer know about the baby. When both parents have employer plans, determine which one will be better, going forward. If neither parent has a health plan at work, notify your health insurance company directly. There may be a 30-day window, after the birth, in which to enroll the child and avoid possible problems.

Regardless of your health insurance situation, you should speak with someone at your company about adjusting your IRS Form W-4, which determines the amount that's withheld from your paychecks for income tax. On your W-4, the more “allowances” you claim, the less tax you'll have withheld.
Investing in Gold Can Be Taxing

Investment asset classes include precious metals, especially gold. Enthusiasts cite several reasons for including gold in a diversified portfolio. If governments print money to cover increasing obligations, gold may act as an inflation hedge. Moreover, gold can offer a safe haven in times of geopolitical upheaval: in mid-2016, for example, when Great Britain voted to leave the European Union (Brexit) and financial markets were unsettled, the price of gold reached a two-year high.

Therefore, you might add one allowance to your W-4 after the birth of a child. You’ll have more cash flow with every paycheck, money that you’ll need to meet the increasing expenses of new parenthood or expanding a family.

That said, adding one allowance might not be sufficient.

Example 1: Marge and Paul Carter have been living in an apartment with their young daughter. The Carters recently had a son, so they bought a house to have more room for their family. The house was purchased with a mortgage, and the deductible interest payments will sharply reduce the tax the Carters will owe each year. However, those deductions, which are only realized in their tax refund, won’t help them with the year-long cash crunch they’ll be experiencing with a newborn baby and a new mortgage payment. Adding only one allowance to Paul’s W-4 may still result in over-withholding and make for a financially strained year.

Paul could add two, three, or more allowances to his W-4, boosting the net amount from each paycheck. The danger, though, is that Paul will be under-withheld and will wind up owing taxes and possibly interest or penalties at tax time. Our office can help you determine the amount of W-4 allowances to claim, in order to maximize cash flow without incurring a future tax problem. Similarly, we can help you determine how much to adjust estimated tax payments after the birth of a child.

Enhance your estate plan

Whether you just had your first child or have added a sibling to the family, the addition of a family member should mean reviewing your estate plan. Do both parents have wills? If not, getting them drawn up should be a top priority. Parents who already have wills should see if any changes are required.

Did You Know?

Workers overwhelmingly consider health insurance to be the most important employee benefit. In a survey, 88% of employees said health insurance is “extremely important” or “very important.” Indeed, 60% of those surveyed are planning to work longer than they would like in order to continue receiving health insurance through their employer.

Source: Bloomberg
What Goes Into a Wellness Program?

A 2016 report from the Society for Human Resource Management found that 78% of surveyed businesses offered wellness benefits to their employees. It’s true that wellness programs are most common in large corporations, but small companies also can offer these benefits and reap the advantages.

Generally, wellness programs may improve worker morale and perhaps lead to greater retention of key employees. Direct results might include fewer health-related absences, greater energy, and more on-the-job productivity. Cost reduction also may result if the company winds up paying less for health insurance and workers’ compensation.

Education and motivation
If you decide to offer a wellness program to employees, where do you begin? One popular starting point is to offer education and information leading to better health choices. Wellness tips might be delivered by health-oriented newsletters, email, or tweets. Companies commonly schedule “health fairs,” events where vendors and exhibitors come to the workplace with educational materials on health and fitness. Often, employees can get readings on blood pressure, cholesterol levels, and other physical conditions at health fairs.

Taking fitness information a step further, some wellness programs bring in health or lifestyle coaches for the

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employees. Although these coaches will differ in their approach, they generally attempt to help plan participants discover and articulate wellness goals. Those objectives might include weight loss, better eating, smoking cessation, and stress reduction. Once the goals have been expressed, wellness coaches may help employees make reasonable choices towards achieving the desired results.

Stepping into wellness

Beyond information, wellness programs can include simple group activities such as stretching and walking. “Stretch breaks” might be led by trainers, who’ll demonstrate simple exercises that can be done at work to prevent soft tissue injuries. Walking programs, which often are popular among employees, might involve establishing walkway routes around the office to encourage employees to become more active. The American Heart Association offers a Workplace Walking Program Kit to help companies get their employees to take “the first step on the path to wellness,” as the association puts it.

Wellness programs also can deliver medical benefits to employees. For example, many health care companies offer on-site flu vaccine clinics. Convenient and cost-free for employees, such benefits may attract workers who don’t otherwise participate in wellness programs, perhaps enticing them to become more active. Of course, widespread flu vaccination likely will cut down on employee sick days lost to influenza.

Added benefits

Another popular benefit available from health care companies is a toll-free 24-hour nurse telephone line. Participants, covered spouses, and eligible dependents can receive immediate answers from registered nurses to questions about possible illnesses, minor injuries, prescription instructions, and other areas of concern.

Wellness programs can be tailored to suit the needs of your employees. Benefits might include smoking cessation or weight loss programs, CPR and first aid training, visiting guest speakers from local hospitals and universities, and more.

To encourage participation in wellness programs, you might offer discounts on health insurance premiums for getting an annual health risk assessment, for example, or for not smoking. Conversely, employees who smoke might have to pay higher premiums. One way to start a wellness program is to ask your health insurance company which benefits have proven to be most effective.

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**TAX CALENDAR**

**OCTOBER 2016**

**October 17**

**Individuals.** If you have an automatic six-month extension to file your income tax return for 2015, file Form 1040, 1040A, or 1040EZ and pay any tax, interest, or penalties due.

**Employers.** For Social Security, Medicare, withheld income tax, and nonpayroll withholding, deposit the tax for payments in September if the monthly rule applies.

**E lecting large partnerships.** If you were given an additional six-month extension, file a 2015 calendar year tax (Form 1065-B).

**October 31**

**Employers.** For Social Security, Medicare, and withheld income tax, file Form 941 for the third quarter of 2016. Deposit any undeposited tax. (If your tax liability is less than $2,500, you can pay it in full with a timely filed return.) If you deposited the tax for the quarter in full and on time, you have until November 10 to file the return.

For federal unemployment tax, deposit the tax owed through September if more than $500.

**NOVEMBER 2016**

**November 10**

**Employers.** For Social Security, Medicare, and withheld income tax, file Form 941 for the third quarter of 2016. This due date applies only if you deposited the tax for the quarter in full and on time.

**November 15**

**Employers.** For Social Security, Medicare, and withheld income tax, and nonpayroll withholding, deposit the tax for payments in October if the monthly rule applies.