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Are you a money savvy mom?

Motherhood is an expensive journey. A well-thought-out financial plan can help overcome challenges at every step.



By Preeti Kulkarni

In India, there is no dearth of advice for would-be and new mothers. Well-meaning tips on which doctor to visit, what to eat, the medication to take and how to exercise pour in from all quarters. However, there is one aspect even the closest kin is hesitant to touch upon—the financial challenges associated with this phase of life. Motherhood is no child's play and mothers across life-stages need to take charge of their finances to ensure a smooth journey. We tell you how.

Financial before family planning

When Mumbai-based oral and maxillofacial surgeon Garima Devrani (see picture) decided to have a second child, she started planning her finances immediately. "I began saving a part of my income

right away. I have accumulated ₹2 lakh and it is parked in liquid funds," says the expecting mother. She also has her health insurance policy with a sum insured of ₹10 lakh to fall back on as it covers maternity costs.

She decided on the amount she needed in her kitty after analysing future expenses. Her experience with her first child's birth helped. "I sorted expenses on a need, want and desire basis," she says. So, visits to the doctor, medical tests, a tailored diet and the main C-section procedure all made it to the need basket. The next set of expenses, she wants, included hiring a domestic help post-delivery and enrolling her first child in various activities and classes. "I want to take time out for myself without making her feel neglected," explains Garima. Then there were ancillary expenses, the desires, she needed to factor in. These included attending and

GOAL

Building a kitty for pregnancy-related expenses

Time available
One year

Estimated amount to be accumulated
₹2 lakh

Monthly investment needed
₹16,000*



*Assuming investments in an RD yielding 7.5% per annum.

organising functions related to the new baby, shopping and so on.

While the expenses in the needs category are non-negotiable, wants and desires can be achieved if you plan ahead. "Planning should start well in advance and not after you conceive. Besides medical and other key expenses, you also have to save to tide over the period when there could be loss of income during and after pregnancy," advises Pankaj Mathpal, CEO, Optima Money Managers. In addition, your savings should be adequate to cover events like a baby shower and naming ceremony. "Be well-prepared well for childcare expenses like hiring caregivers if you live in a nuclear family, as also vaccination, clothing and toys after delivery," he adds. You need to estimate these expenses and discuss the same with your partner to ensure that you put in place an effective joint financial plan. "The couple should open a joint account

specifically for pregnancy-related expenses. Both should add to the common pool until the new mother resumes work," says Tejal Gandhi, CEO, Money Matters, a financial planning firm. If there is a joint home loan, factor in your share of EMIs while building a corpus.

When planning your first baby, seek-

ing advice on financial planning from women who have gone through pregnancies in the recent past is not a bad idea. "Buying a health policy with maternity cover should be part of planning ahead, as all plans come with waiting periods. It must cover pregnancy and congenital disorders," says Mathpal. However, do

take note of the sub-limits and other restrictions. "The cover is related to delivery of the first two children and associated complications, if any. The general limit is between ₹35,000-50,000. Our retail product offers a cover of up to ₹50,000 in case of the birth of a male child and ₹60,000 in case of a girl child,"



GOAL

Creating a cushion for a planned sabbatical

Personal expenses*
₹20,000

Contribution to EMI*
₹20,000

Contribution to household expenses*
₹20,000

Total monthly outgo*
₹60,000

Sabbatical duration
Two years

Time available
Three years

Amount needed during sabbatical
₹14.83 lakh**

Monthly investment needed over 3 years#
₹36,000

*Expenses during sabbatical. **Assuming inflation of 6% in year 2. #Assuming investment in balanced funds yielding 9% a year.

Garima Devrani 33, Mumbai

HER PLAN

Started building a corpus of ₹2 lakh in a liquid fund as soon as she planned her second child. Also has a ₹10-lakh health insurance policy that covers maternity expenses.

"As soon as I planned my second child, I started saving a part of my income to meet this goal. Since I was not sure if I would be able to continue working throughout my pregnancy, I saved and invested adequately right from the start."



Premiums for family floater plans



*For a 30-year-old couple choosing an insurance cover of ₹10 lakh, single private room and four-year waiting period for pre-existing diseases, no co-pay and no restoration benefit.

Source: Policybazaar.com

says Rajagopal Rudraraju, Senior Vice President and Product Head, Health & Health Claims, Tata AIG General. Besides the mother's medical expenses, policies also pay for treatment of the newborn, mandatory vaccinations for up to 90 days and hospitalisation charges related to the baby for up to 90 days after birth. "Pre- and post-natal expenses are covered only in case of hospitalisation. Also, under individual policies, a waiting period is applied before the cover for maternity is triggered," says Bhaskar Nerurkar, Head of Health Claims, Bajaj Allianz General Insurance. The waiting period is typically four years in case of retail policies.

Life after delivery

Financial planning for the post-pregnancy period needs to take into account not only the spouse's financial status, but also the family structure, among other factors. For instance, support from her family ensured an easier post-delivery period for Mumbai-based software professional Preeti Joshi (see picture), who is currently on six-month maternity leave. "I live in a joint family, so I did not face any financial challenges during this period," she says. She set aside ₹1 lakh in a fixed deposit to meet any unexpected expenses. "For the rest, I will be relying on my husband's income," she adds. If you do not have support at home, you will need a longer maternity break resulting in loss of income. Similarly, if your spouse is say a professional or an entrepreneur with variable pay, you will need to set aside a higher sum into liquid instruments.

Put simply, you need to create a dedicated fund even if your spouse or your employer's group cover can take care of maternity expenses. New Delhi-based government employee Dr Neha Ashwani Aryan (see picture), for instance, set aside ₹3 lakh to meet all her pregnancy-related requirements over a period of two years. This, despite being covered under her employer's group medical policy. "Within this corpus, I had allocated ₹60,000 for expenses immediately post-delivery, including the traditional ceremony on the 11th day," she says. This apart, the overall fund was meant to meet expenses related to like maternity clothing, dietary supplements, domestic help, baby care products, toys, bed, rocker and so on, she adds.

At the same time, ensure that you do not go overboard with your spending. "It's easy to get overwhelmed by 'to-day' and neglect focussing on the long-term. Don't indulge just because you can," cautions Shweta Jain, Founder, Investography, a Bengaluru-based investment management firm. You need to go beyond planning for short-term post-pregnancy needs, particularly if you are a salaried employee drawing an income during the period. Use your salary to put a long-term investment plan in place. "Women know how to keep away money for emergencies. It



Preeti Joshi
33, Mumbai

HER PLAN

Set aside ₹1 lakh in a FD for key expenses when expecting her second child; will depend on her husband to meet other expenses.

"There will be some expected and unexpected expenses before and after the delivery. One should plan in advance and save for such expenses."

Neha Ashwani Aryan
33, Delhi

HER PLAN

Saved ₹3 lakh to take care of two years' expenses after giving birth.

"I have a fixed salary and enough savings, but some additional expenses towards maternity clothing, dietary supplements, domestic help and baby care products need to be taken care of."



GOAL Putting together an education corpus

Investing to build an education fund for a course that costs ₹25 lakh today.

Goal horizon
15 years

Monthly investment required
₹22,000*

Future value of the goal
₹1.04 crore

Education inflation
10%

Rate of return
12%



GOAL Building a retirement nest egg

Current age 50 years	Value of current investments ₹30 lakh	Retirement corpus needed ₹2.38 crore*
Goal horizon 10 years	Current annual expenses ₹6 lakh	Monthly investment needed ₹59,000*

Source: ET Wealth calculations and Principal Retirement Calculator.

*Assuming investments are made in equity funds yielding 12% per annum, inflation rate is 6%, expected rate of return post retirement is 7%, and expected life expectancy is 85 years.

Antara Roy 34, Gurgaon

HER PLAN

Had been saving since 2008. Dipped into these when she took time out to have a baby in 2012.

"I had to cut down on work during pregnancy. I banked on my husband's income, health insurance and my savings."



ASHWANI NAGPAL

Rajni Mishra 65, Mumbai

HER PLAN

Started saving for her retirement 10 years ago, after paying for her children's education. She saved ₹5,000 a month for their studies.

"I have been focusing on building a retirement corpus over the last 10 years. I have been putting away ₹5,000 every month towards it."



comes easily to them, but this is not the case with investing. It's time to change that," says Jain. Identify your mid-to long-term goals – funding child's play-school, nursery and extra-curricular activities, your holidays, buying a house or car and your retirement.

Taking a sabbatical

If you have are thinking of taking a career break to concentrate on bringing up your child, careful planning will acquire greater significance. When Gurgaon-based restaurateur Antara Roy (see picture) conceived in 2012, she had to cut down on her e-commerce assignments during her pregnancy. "From orders worth ₹70,000 per month, I was handling orders worth ₹10,000-15,000 a month, as I had stopped advertising for work," she says. This is where her disciplined approach to savings right from the time she started working in 2008 came in handy. "I used to invest ₹50,000-70,000 every year in a PPF and fixed deposits. I had set aside ₹50,000 as an emergency fund," says Antara.

Those who go through complicated pregnancies or conceive through IVF procedures need to plan for additional expenses and a longer break. However, financial planners recommend taking up part-time assignments instead. "Even if the income is on the lower side relatively or irregular, it will help them be in touch with their profession. You could also use the period to upskill yourselves," says Gandhi. Enrol for courses that are relevant to your profession to ensure that you do not have to compromise on pay or position once you decide to resume work. "Invest in PPF for the long-term, while factoring in tax savings. Start systematic investment plans (SIP) in equity-linked saving scheme and equities for your long-term goals well before you plan a family," says Jain. These investments should continue through life stages.

Maintaining the balance

As the child becomes older, you not only have to keep his or her future in mind, but your own too. Sixty-five-year-old Rajni Mishra (see picture) is now retired. She raised her children single-handedly for nearly 30 years and took care of their education needs till they started earning themselves. Putting away ₹5,000 per month for close to 30 years helped meet all her goals. Ten years ago, she started focusing on her retirement. Since then she has been parking ₹5,000 in a recurring deposit every month. "When you are closer to retirement, children are likely to be pursuing professional or higher studies. They can take an education loan, which can be easily repaid once they start working. Saving enough for retirement shouldn't be ignored to make room for higher education spends," sums up Mathpal.



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