How Do I Balance Supporting My Children With Saving for My Future?

You want to travel, but you’re not sure if you can afford to—at least, not without guilt or fear Raising kids can bring a lot of joy and love into your life—and cost you quite a bit of money, too. So how do you balance out your financial responsibilities to yourself, with those to your kids? In this episode, host Stefanie O'Connell Rodriguez brings together the best advice from three past expert guests to help you sort it out.

Stefanie O'Connell Rodriguez: This is Money Confidential, a podcast from *Real Simple* about our money stories, struggles and secrets. I'm your host, Stefanie O'Connell Rodriguez. And today we're looking back on some of our expert interviews to talk about children—having them, raising them, sending them to college, and all of the financial decisions that come along with each one of those major parental milestones.

Alyssa Davies: I never thought I wanted to be a mom. It was never something I planned to do. I was really, really into my career. And so when I did finally find out that I was pregnant, everything kind of came crashing down.

Stefanie O'Connell Rodriguez: That's Alyssa Davies, founder of mixedupmoney.com, who we spoke to in episode 19 while talking to a listener who wasn't sure if she even wanted to start a family, but was curious about whether she should save for one in case she did decide to have children in the future.

Alyssa Davies: I found out very late that I was pregnant. I think it was between eight and 10 weeks. And so we sat at a dining table in our kitchen and started making a budget.

To be honest, the one thing I feel like I have control over is the financial aspect. So sitting down and putting together that spreadsheet of this is approximately how much we're going to spend over the next nine to 10 months. That gave me a little bit of power back.

Stefanie O'Connell Rodriguez: What would be some of the information, from a financial perspective, people should take into consideration?

Alyssa Davies: One thing to remember is yes, you have some control when it comes to the financial side of it, whether you think you do or you don't.

But another thing is just, everyone always asks, when am I going to be ready or will I know if I'm ready—and you'll never be ready. It's like most things in life. The biggest thing I can say is that it's good to acknowledge where you're at in your current financial life. If you feel secure, then you could probably have a kid tomorrow, if you really wanted to. Having that confidence piece is something that we don't actually consider as being as valuable as it is.

And then you can do general research exploring to see how much it's actually going to cost to get a better idea. And maybe that number will make you feel better or maybe it'll make you feel like more confident in, hey, I don't actually want to have a kid and that's not a big deal.

Stefanie O'Connell Rodriguez: Is there a way we can think about this just so that we can be prepared financially, no matter what we decide?

Alyssa Davies: Yeah actually.

I save for goals before they've happened, which sounds ridiculous, but that's like what we're doing with any financial goal. Whether it's like you're getting married and you're not even in a relationship. I don't think it's weird to start a savings account for that. No one's going to know that you're saving money for it, so why should you be embarrassed? Why should you think that's not something you can do? You can do that if maybe one day, 10 years from now, you decide you want to actually have a kid or maybe you want to adopt a kid. At least you have the choice because you have some financial means already put aside for that.

Worst case scenario, you have a huge chunk of savings that you can put towards anything you want. So there is a way to kind of help yourself with those decisions before they actually come.

I had just started doing that before I found out I was pregnant. I only had $500 in there, but it was $500. Like that is a huge start for me which would have felt extremely significant when I was as stressed as I was.

Stefanie O'Connell Rodriguez: I also want to talk to you about being a mom because you do have that perspective of having been through the process. What are some of the things that have surprised you from a financial perspective?

Alyssa Davies: I think one thing that I didn't realize I would spend a lot of money on, particularly in postpartum, like when you're in a lot of pain, experiencing a new life for the first time, was emotional spending. Like I had to give myself a lot more freedom than I ever thought I would just to kind of let go and spend money. And that's not easy to do when you have someone else to take care of, to like, say it's okay for you to order dinner because you're tired and you're sore, or it's okay to hire someone to come and clean your house.

So that was something that I really struggled with, I also didn't realize how much my mental health would suffer because it wasn't really well talked about. So that was a big expense for me because I had to go to therapy again.

And I don't know why, but for some reason I was like, I've been to therapy. I don't have to go back, ever again, but it never works like that. And the two years postpartum for me finding out who I was again, because it wasn't my decision to have a kid when I had a kid. It wasn't in my plans. And so I felt like I lost a huge part of who I was as a person. And it took a lot of therapy to find myself again, and to understand who I was before I could even think about, do I want another kid or is this, is this even an option for me?

So that was an expense, but most importantly, it's like every single year, there are new expenses that come in and that's something that you cannot plan for because you never know what those expenses are gonna be, whether it's your kids in extracurriculars or maybe your kid actually has a health issue and you have to now suddenly take on that expense. There are just so many things that you can't plan for, and that you do lose control of.

We have the maternity leave in Canada, it's great. I had the option to take a year or 18 months off and I chose a year and everyone was like, it's going to be so great. You're going to get to do all of these things and have just time for you and your family. And I wasn't enjoying it. I felt lost. I felt like I wasn't getting to use my brain the same way as I was used to.

I felt like I was missing out on all of these opportunities with my career. And by 10 months I had to go back. I just was like, this has been long enough. I feel like if I take any more time off, I'm losing growth in my earning potential and I'm missing the thing that I loved the most, which was just getting the opportunity to work on my passions.

The societal pressure as a mom is like, it's astronomical. I left to go for a work trip last week, I was gone for seven days. That's a long time to be away from my kid. I've never done it. So like, you can imagine I'm already feeling a lot of pressure and a lot of shame around it for no reason, even though it's like a huge work opportunity, I should be excited. I shouldn't even be worrying about that. Because I know like 10 years from now, my daughter's going to be like, wow, it's so cool you did that one thing.

But people immediately, their first question, wasn't like, what's this trip for? And like, what are you doing for work? I want to hear all about it. It was like, well, who's going to watch your daughter and, you know?

Stefanie O'Connell Rodriguez: And just to clarify, you're not a single parent.

Alyssa Davies: Exactly. So I'm like first of all, that's a really inappropriate question.

Second of all, It's not just my daughter. Uh, so I think we're going to be okay. Or it's the like, is he going to be okay with her for a week? Like, hm. Yeah, I think he's going to be fine.

It's a question you should ask your partner and yourself before you have a kid or before you even decide if you want to have a kid, is what is going to make us equal parents in this relationship. Because thankfully I have a really supportive partner, but a lot of people don't, and that's more common is to have a partner who isn't as supportive, and that doesn't take on a lot of the responsibilities of taking care of your house. Uh, the mental kind of burden of all of these worries about cooking and cleaning like that shouldn't be on one person. And so it's hard to kind of know if that's going to be a reality or not, unless you have open conversations about that with your partner.

Stefanie O'Connell Rodriguez: Is there a way you're financially preparing for your second child that's different this time around?

Alyssa Davies: It's actually a lot different this time around. I am the higher income earner in our household. We are losing quite a lot of our primary income once I go on maternity leave. So we are saving way more aggressively than we did with our first. I've been taking on a lot of extra work this year, just to kind of save more money to put aside so that we don't have to stress about things. I didn't actually save for retirement the entire year that I was on maternity leave either because again, low income and I didn't want to have to give that up this time. So we're just doing a lot more work before the baby comes also because we had more time and because again, it was planned. So that's something that we're definitely changing.

It's not like you're going to ever not feel like you have to do more. 'Cause I think that's something that we all kind of have to live with these days. Is that feeling of like, I should be doing everything all at once, but if you can't do it all at once, you're not the only one.

I don't think anyone's doing it all at once. So don't feel like you're alone in that world.

Stefanie O'Connell Rodriguez: Financial planning as a parent, or even a prospective parent, is hard—even when you're working in partnership with someone else. But when you're shouldering those decisions and expenses on your own, it can be that much more difficult—as we discussed in episode 8, with personal finance expert and founder of moneyaftergraduation.com, Bridget Casey.

Bridget Casey: I would recommend setting up whatever kind of cash cushion you possibly can, even I mean, the smallest emergency fund that you can cobble together during this time. It's really important to stay in the workforce. So childcare is an investment in your career, even if it looks like an expense on your budget right now.

And the second thing, and this is really or, the third thing I guess, and this is really hard for parents to accept, but it's not unusual for parents, especially of young parents and in a global catastrophe like a pandemic to potentially temporarily go into debt just to make it through.

And I know we all hate seeing those balances, like show up on our line of credit or even credit cards, but if the choice is like daycare, so you can work or losing your job, you have to make hard choices. That actually helped me when my child was really small and childcare was so expensive. It was like $1,800 a month. And I remember it was more than my rent, and I just thought this is insane that I have to pay this so I can go to work. But every year she gets older, it goes down and then I'm like, oh, if I had just realized that the burden would be lessening, like that would have relieved so much stress on me.

And then as you progress in your career, often your income goes up. So there might be some short term pain, but if you can see down the line, your childcare costs are going to decrease. Your income is going to go up.

Stefanie O'Connell Rodriguez: I think your point about thinking of some of those costs, like childcare as an investment is really powerful.

Bridget Casey: I had my baby when I was very early into self-employment and the income of my business at that time wasn't very high, so childcare was a huge portion of it. And it did feel like an overwhelming burden to pay childcare, to work on my business, which at the time was not earning very much money.

My career, my business needed those hours that I was putting in then and if I had delayed it, if I had taken more time away from work, I could have lost my whole company. But just staying in the game and working on what I was working on, it gave me traction and it didn't feel like it at the time. That's the hardest part of this is it doesn't feel like you're getting anywhere with this effort, in these costs, but you are. And in like two or three years, you're going to be really glad that you made that investment and that you didn't bow out of the workforce and that you, you made the investment in yourself and in the future financial security of your family by paying child care so that you could work.

Stefanie O'Connell Rodriguez: I do want to ask about paying childcare so you can do things that are not work

Bridget Casey: I love paying childcare for things that are not work. Especially for things like therapy. I would consider that in the same category as work, anything that's like medical or health-related that's 100%, that's an investment in yourself. You still deserve some happiness and some semblance of yourself as a mother and a parent. I understand if the budget doesn't allow it, then it doesn't allow it. But if you do have a little bit of wiggle room in your budget and all you want to do is go get a coffee and wander around a bookstore for two hours, like, pay a babysitter for that. You need down time. You need relaxation. Like parenting is an all-consuming thing. It's like a second shift after your workday.

It's joyous and fulfilling and wonderful, but it's exhausting. So a hundred percent, if it is in your budget, pay the babysitter to take a break. I'm fully behind that.

The first thing that I tell parents is you have to take care of yourself and your long-term financial security first before your child's, and this is very hard for parents when you tell them to save in their own accounts before their kid's college fund. But your long-term financial security is the financial security of the family.

They can take out student loans, but you can't take out retirement loans.

When you have a small child, you don't necessarily know what the post-secondary landscape is going to look like in 10 or 15 years. But you do know that you'll need money for retirement. So prioritize those accounts first, obviously any high interest debt has to go as well, but if you do have enough cash flow that you can maybe like put it towards all these things, debt repayment, college savings, and retirement, then absolutely divided up, but just make sure your retirement and paying off your debt comes before your child's college savings.

Stefanie O'Connell Rodriguez: Do you have any rules of thumb for how to divide it up?

Bridget Casey: In an ideal world I like to see people putting at least 15% of their net income towards debt and 10% of their net income towards their own retirement savings. But like, that's a quarter of your income and depending what other financial obligations you have, like if housing is really expensive, where you are, or you have a large car payment that might not be possible, but that would be the ideal if you can get there. And then once your debt is paid off, you can increase the savings. But because I know there's not a parent listening to this that will only contribute to their retirement accounts. I would say strive to put 7 to 10% of your income into your retirement accounts.

And then like 1 to 3% then into your child's college savings, just so you don't neglect it entirely. And then you can scale that up when your debt is gone or you feel more secure about your retirement.

And I know some people are maybe hearing these numbers and they're like, there's no way I can fit 10% of my income towards retirement.

Then start with five or even start with one, do 1% for three months and then increase it to 2% and keep building it that way. the habit is what makes the difference long-term.

Stefanie O'Connell Rodriguez: Speaking of planning and saving for the long term—both yours and your children's, after the break we'll be speaking about the biggest expense many face when it comes to raising kids—paying for college.

Ron Lieber: It is tempting to turn financial planning and all of the trade-offs involved, into a sort of like bloodless economic science, but that's not what it is at all. And because there's so many feelings involved, particularly when children get in the mix, that it's almost impossible to give people practical advice that is based entirely on science and data that's divorced from the strong feelings that we have about wanting to take care of our children.

Stefanie O'Connell Rodriguez: That's *New York Times* journalist and author of *The Price You Pay For College*, Ron Lieber, who I spoke to in episode 22 after interviewing a listener who was struggling with how to prioritize her student loan debt repayment against saving for her children's college education.

Ron Lieber: For all of us, in our financial lives, almost every day involves some kind of a trade-off. And because college is so expensive, the sad fact is that something like 90% or 95% of us are going to have to think hard about money in this context.

Stefanie O'Connell Rodriguez: When something is so emotionally charged, how do you find that you can bring in a little bit of the math while still giving credence to the emotional experience?

Ron Lieber: I think this has to start with reckoning with the emotions that are most likely to present themselves when it comes to college in particular.

So there are at least three that are almost always present in, in some amount. The first one is fear. Fear that your kid is going to go tumbling down the social class ladder if you make the wrong move, if you don't spend enough, if you don't borrow enough. Right. All of these plans that you've made for this kid for two decades will all amount to nothing.

It's not necessarily grounded in reality, right. But people are likely to experience fear around their kids for all sorts of rational or irrational reasons. And especially if you spent decades yourself kind of clambering up the social class ladder in adulthood from wherever it is that you've started, or if you've experienced downward mobility yourself.

You don't want your kid to continue to experience that. So there's fear there. Then there is guilt, guilt that you do not earn enough, guilt that you have not saved enough, guilt that you are not doing for your kid, where your parents were able to do for you.

Guilt that you're not paying full freight for your kid. When you promised yourself for decades, that you are going to create a situation much different from the one that you went through, right? You can send yourself on like a thousand different guilt trip itineraries.

And then there's snobbery, right? Private must be better than public. More expensive must be better than less expensive. The brass name plate must be meaningful and is worth stretching and borrowing and extra tens of thousands of dollars for. So we have to confront each of these things, recognize them for what they are, have honest conversations with ourselves, with our spouse or with some trusted advisor or therapist or friend who is just better at clear-headed emotional and financial thinking, right? So you confront those emotions first and then you look at the trade-offs.

And part of confronting the emotions, it's just saying to yourself, you know what? Things are different now than when I went to college—if I went to college. Things are different from when my parents were or were not providing for me. Things can be radically more expensive. And it is also clear that a perfectly good education is available at hundreds and hundreds of residential undergraduate institutions.

And so if we are not able to afford the place that I went to 20 or 30 years ago, that has now become very fancy and expensive and selective, this is not the end of the world. You are not a failure as a provider.

Stefanie O'Connell Rodriguez: One of the things that's always frustrated me about the conversation around college, was the framing of college as the ultimate end goal, as opposed to a stage that you pass through.

It almost feels like we're setting ourselves up for a framework where of course we're going to sacrifice everything because that's it, that's the end, as opposed to that was just the beginning.

Ron Lieber: Absolutely. So from a parenting perspective, it's easy to get all kind of bollixed up in your head about this stuff, right? Because as a parent, this feels like they are leaving and they are not coming back. Maybe they're coming back for summer. Right. You don't really want them to come back when they're 22, cause that's a sort of failure to launch.

Right. You know this is the end in many ways and where they get the bumper sticker, you put on the car, right? Or the Facebook sweatshirt reveal or Instagram for the kids. Right. You know, it feels like a trophy, a gold star measure of your own achievement, not just as a kid raiser, but as a provider.

And I would just encourage people to, to flip their thinking about that entirely. Because the point of the exercise is not some nameplate college. The point of the exercise is a well-adjusted adult who goes out into the world and finds something that they're passionate about and becomes happy in whatever it is that they decide to do with themselves for the rest of their adult life.

That is your job. We are in the adult-making business as parents. We are not in the business of manufacturing college students where success is only measured by whether your kid gets to go to a place that only accepts a single digit percentage of students. That's not what this is about.

Stefanie O'Connell Rodriguez: Yeah, I think that's a really good reframing of how we think about the value of a school emotionally. And I would wonder what you use as a framework for assessing value of a college education financially.

Ron Lieber: Sure. I guess on the most basic level, we have to start with the data that exists and the data is pretty scant, right?

But one primary kind of baseline point of going to college is to finish. Right? And it turns out that all sorts of schools, including plenty of ones that you've heard of and feel quite desirable only 50 or 60 or 70% of the people who start there as 18-year-olds actually finish within six years.

So they need to finish. They need to graduate, hopefully with a reasonable amount of student loan debt. If you cannot afford to write a check for the cost and some schools are better than others, both about keeping their costs down and not kind of nudging or slyly encouraging both the undergraduates and the parents in particular to take on more debt than they should.

So we have data on completion. We have data on average debt amount, both the students and the parents. There's some data about starting salaries about what happens to people after they do finish.

Now much of that depends very much on majors, right? And a computer science major at the University of Texas at Arlington, you know, they're going to have a starting salary is not going to look all that different from what a comp sci major Rice University might be making, even though those schools are a quarter of a million dollars apart in their price tag over four years. It's certainly worth looking at those things.

It gets much harder when you try to measure things that either are more qualitative. So the whole question of how much somebody learns at any given institution, this is not information that we're actually privy to. They're not testing them on the way in and on the way out. And if a big part of what you think you're paying for is for your kid to get an education, we don't actually know that much about that.

If you're buying them a network and you think the network it at Rice University is going to be better than the network at UT Arlington. You know, Rice University isn't exactly standing up in the group information session for high school seniors offering quantitative data on the percentage of undergraduates who get internships that are paid with Rice University alumni. Like this is data we don't get, right? We should. And we certainly don't get *Consumer Reports* type customer satisfaction data where they're talking to alumni one year out, five years out and 10 years out.

We can figure out how well the Toyota Camry held up after a decade. But we don't know how well the Rice University degree holds up and how people feel about it 10 years later when they still have $22,000 in student loan debt. I wish we did.

If you are shopping for more information about what people are earning five years out in particular degrees. If you are shopping for graduate school admission odds, you know, by, by major, if you are shopping for what percentage of the time in my classroom will I be taught by tenured faculty or people on the tenure track?

If you are shopping for information about how connected alumni stay 10 years later, right? If you are shopping for information on diversity and how well supported people feel, if you are shopping for more information about satisfaction on the career office, if you are shopping for information on how long it takes to get an appointment at the mental health counseling center during this epidemic of mental health need and demand for services on these undergraduate campuses, you will not find it. And if you do find it, you won't be able to compare it across institutions. And yet these are the things that are most important to the college shoppers that I spent years talking to, and it absolutely sucks that we can't get access to this information.

So I just encourage people to ask more and more pointed questions. I'm basically trying to raise an army of better informed consumers who feel entitled to more data. And we should feel that way when the rack rate on these experiences now tops $300,000 .

Given all of the complexities and the potential cost for a standard issue, residential undergraduate education it's so tempting to try and beat the system through various means.

And there's a bunch of ways to do it, right. You can go to community college and you can start there for two years and then transfer.

You can enroll in an honors college or an honors program. You can go to college outside of the United States. You can try and pursue an athletic pursuit that gives you better odds of admission or maybe even a scholarship. You can take a gap year to try to improve your odds of admission that way, or increase the amount of maturity you're bringing to bear on your education.

You can join the US Armed Forces. These are all things that you can do, right. But you can imagine all of the pitfalls and trapdoors that exist with community college, you're gonna have to work really hard and pay very careful attention to make sure that you get all of the courses that you need that have a 100% guarantee of transferring to the four-year school that you're trying to get to.

And what degree program are you going to try and pursue at the four year school? And what if that changes and what if the course requirements change? And, you know, what if you can't get into the classes that you need at the community college, because it doesn't match your work schedule, your commuting schedule, or the availability of the one professor who teaches the thing that you need, that the UCSB you know, biology program is going to want you to have as a prerequisite, right?

This stuff is not simple, and it's hard for a teenager to be directly on top of it, you know, for two straight years, but it's possible, right? Now. Same thing's true for something like going to an honors college or honors program. The very basic question that most families fail to ask is, 'Oh, that's interesting, very cool that you have this kind of like elite clustered off program. What percentage of the kids who start actually stick with it?' Well, it turns out it can be as low as 15 or 20 or 25%.

So you need to ask kind of basic consumer questions about whether the value that you think that you're deriving or the shortcut that you think that you're going to be able to utilize Is it actually going to work right?

How often does it work the way that you think it will and what are the downsides?

Stefanie O'Connell Rodriguez: Speaking of teenagers how does a parent facilitate that dialogue, especially when it comes to thinking about the price tag?

Ron Lieber: I'm a big believer in sitting your eighth grader down, like right before high school starts and beginning to have the money conversation about college.

I feel like it's only fair that every teenager know what their parent or parents are able and willing to do for them when it comes to college. And by the way, if there's a big gap between what you're able to pay and what you're willing to pay, you better be ready to explain that in terms that make sense, right?

Because they're going to swim right into that gap between ability and willingness and make you feel really lousy if you don't have a logical explanation for why you may have the ability to pay full price for Southern Methodist University or Emory but don't have the willingness because you think well, Emory is not Duke or SMU is not Rice.

And people make all these nutty distinctions like, well you know, great or state, right? What does that even mean? Right. Great for whom? You're basing off the US News list? Like you're gonna make distinctions based on Ivy League schools that are worth paying for? Well, it turns out that a lot of the Ivy League schools don't provide a very good undergraduate experience. Shh, don't tell anyone.

And you know, and if there's not very much you're going to be able to afford, that's okay. You don't have anything to apologize for it. You've almost certainly done the best that you can.

But kids should be ready to go into high school. You know what the head of steam, if they're going to need to in effect earn their way into the schools they want to go to through academic scholarships qualifying for admission at selective schools, they're going to be willing to give them the need-based financial aid that will make it affordable.

So don't just spring this on them junior year.

Stefanie O'Connell Rodriguez: I feel like, if you're bringing up a money dialogue with your kids for the first time when you're talking about college, it's going to be really hard to have open honest conversation about value.

I wonder if you have any thoughts about, "Okay, How do we make sure that we start these conversations early and what are the best practices for conversations around value more broadly with children?"

Ron Lieber: Thank you so much for bringing that up because you are absolutely right.

If the summer after eighth grade is the first time you have a serious money conversation with your child. It's not going to go very well because they're not going to have context for these large numbers.

Starting with smaller numbers when the kids are single-digit ages and you go from, you know, a $4 a week, uh, monthly allowance to you know, thinking about two digit purchases when you're buying something inside an app to like contemplating a bicycle that you want that might have a three digit costs.

And then, you know, there's the conversation where every kid wants like the high-end phone that now costs like a low four digit amount of money. And then maybe they want a car when they're 16 and like a used car that won't kill them is probably four or $5,000 at least. And so these numbers get ever bigger, right?

And you begin to introduce to them some of the components of the household budget. So by the time you're ready to talk about college, they have a pretty good sense of what these larger numbers mean and oh, by the way right around then, if not sooner, they're going to ask you what you earn and what you have.

And if you want those numbers to make any sense, um, you're gonna need to have been explaining these smaller ones all along.

Stefanie O'Connell Rodriguez: It's clear from speaking to each of our financial experts that managing money while raising and supporting a family is as much an emotional experience as it is financial.

So managing it effectively means digging into both the numbers and the feelings behind every decision around saving for our children, supporting them and talking to them about the money in our lives and in theirs.

By starting these conversations around fundamental financial concepts like spending and saving early on, perhaps we can spare them the sentiment that's become familiar to so many of us around our finances, "I wish someone taught me this when I was younger."

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