



Stage Three:
Planning for your child's future

When you have a family looking ahead and planning your finances into the future is more important than ever. This stage of the guide gives you some pointers about the importance of planning to protect and provide for your own and your family's future.

Stage Three: Planning for your child's future

Teaching your child good money values

If you can, take the time to teach your children how money works, why to save it, and how to make the best of it – just as we have outlined in **Stages 1** and **2**. By doing this you are passing down important information that will instil good attitudes and money habits from a young age. Make it relevant to them in practical ways, for example:

- Show them how to save for a bike or computer game. Get them to estimate how much it is and how long it would take to save for it, based on how much they get for pocket money. Have a look at the saving goal technique on pages 19-20 to help you.

While it can be hard to say no at times, try to encourage your children to see the difference between what they 'need' and what they 'want', helping them to spend wisely. When your children are old enough, you could involve them in discussions about household budgeting decisions and how to prioritise between what is most important and those things that are optional. Make sure you do this in a way that is positive and does not cause them worry.

Any good habits that you pass on to your children will help them become money smart and this will benefit them enormously throughout their lives. It will also pay off for you by managing their expectations as they grow up and as they reach their teens.

Opening an account for your child

At this point, you might like to consider opening an account for your child in a bank, credit union or An Post, to start them on the right path. When your children reach the right age (and if you can afford to) give them a small amount of money as pocket money.

- Accounts for children are usually simple, easy to use and have no charges. You can open them with a very small amount of money, often as little as €1.
- Accounts for secondary school students usually offer ATM cards, but you have to keep the account in credit at all times and they offer no loan or overdraft facility. There is a limit to how much you can withdraw and typically you will not have to pay fees and charges.
- Student current accounts (third level) offer many of the same benefits as ordinary accounts, such as ATM and debit cards but they are also usually free of charges.
- As with a 'grown-up' account, make sure you shop around for the best interest rate on offer, using our cost comparisons on www.ccpc.ie

Saving and investing for your child's future

Your children's education is perhaps the largest expense you have to plan for, so you need to set aside some money in your budget and explore your savings and investment options. You could open a regular savings account, with a good rate – the higher the better, and put money aside each month (perhaps some of your child benefit if you can afford it).

Product	Description	For more information
Savings and deposit account	<p>These accounts can vary depending on:</p> <ul style="list-style-type: none"> • how often you want to deposit money; • how much access you want to have to your money; and • how much interest you want to earn. 	<p>Visit our Money section on www.ccpc.ie and you can also compare features and costs for regular savings and lump sum deposit accounts in our financial comparisons section.</p>
State savings schemes	<p>The National Treasury Management Agency (NTMA) has a range of personal savings products. An Post act as an agent of the NTMA, offering savings and investment accounts through its post offices in Ireland. These include:</p> <ul style="list-style-type: none"> • deposit accounts; • savings accounts including regular monthly savings accounts; and • fixed rate/term products such as savings certificates and savings bonds. 	<p>Visit www.ccpc.ie and www.statesavings.ie/NTMA</p>

Or you could consider an investment product (where there may be some risk in return for higher possible growth on your money). There is lots of information available in the Money section on our website www.ccpc.ie. Before you make a decision, you need to think about what access you would like to your money and what level of risk (if any) you are prepared to accept.

Planning to protect your dependents

When you are a new parent, you need to provide for your family today but you also need to protect them into the future. It's a fact of life that accidents happen and sometimes they are expensive to fix. When you are a new parent with young children to take care of, paying for damage to your home or your car is another expense you don't need.

Insurance products can help to limit the financial impact that accidents and your family's health can have on your family budget. The table below outlines the typical types of general insurance needs that an average family might have.

Product	Description	For more information
Home insurance	Depending on the type of cover, home insurance can cover damage to your buildings, contents, loss or damage to valuables even when outside your home and injury to other people in or around your home.	Visit the Money section on www.ccpc.ie for tips and information on getting insurance quotes.

Product	Description	For more information
Motor insurance	Depending on the type of cover, car insurance can cover damage caused by your car to other people's cars and property and injuries caused to other people. It can also protect against damage to your car caused by fire or theft. You can also cover damage to your own car, property and items stolen from your car.	Visit the Money section on www.cccpc.ie for tips and information on getting insurance quotes.
Payment protection insurance (PPI)	Covers your repayments on a loan or mortgage for a certain period of time if you suffer from an accident, illness, death or compulsory redundancy, depending on the policy. Many policies only cover you for one year.	Visit the Money section on www.cccpc.ie for information on costs and considerations before you buy.
Travel Insurance	Covers you against some losses while you are travelling such as damaged or delayed luggage, cancelled flights, delayed or missed departures, loss or theft of money or passport and illness or injury.	Visit the Money section on www.cccpc.ie for information on costs and considerations before you buy.

Tip!

Shop around for your insurance quotes every time you renew. Our online checklists will help you and are available at www.ccpic.ie

**Life cover and other protection/insurance products**

It is just as important to insure your health and your life, as it is to insure your belongings. If you need to undergo routine or more expensive medical procedures, these can cost a lot of money. If your health prevents you from earning a wage to support your family or if you are no longer around to help, you need to protect your dependents against a drop in income.

Check with your employer what insurance you can get through your job or pension scheme. Some schemes have a **death in service benefit** that pays out if you die during your working life.

The following are health and life insurance products that can help protect your family against health related problems.

Product	Level of cover/ main benefits	Exclusions/ restrictions	For more information
Private health insurance	Covers all or some of the cost of certain private and semi-private medical treatments, depending on the level of cover you choose. Cover is ongoing once policies are renewed on time.	Pre-existing illnesses may be excluded or restricted and you may have a waiting period before your cover is activated.	Visit www.ccpc.ie for information on getting the right cover, the types of cover available and who provides this insurance.
<u>Income protection/ Permanent health insurance</u>	Provides you with a taxable income if you lose your work income due to disability/illness or injury. The benefit is paid out for a certain period of time – usually until you get better or reach retirement age.	Your age, gender, health, family medical history, income and occupation will affect your eligibility and cost. You must be in full-time paid work or be self-employed to get and continue to have income protection cover.	Visit www.ccpc.ie for information on eligibility, cost and how this insurance works.

Product	Level of cover/ main benefits	Exclusions/ restrictions	For more information
Serious/ Critical illness insurance	Pays out a tax-free lump sum if you are medically diagnosed with one of the serious illnesses or disabilities that your policy covers.	Eligible illnesses and exclusions will be listed in your individual policy and will vary between providers. Your age, gender, health and family medical history will affect your eligibility and the cost.	Visit www.ccpc.ie for information on buying this insurance, cost and what is covered etc.
<u>Mortgage protection insurance</u>	A type of life insurance policy that repays your mortgage if you die before clearing the loan.	Your age, gender, health and family medical history will affect your eligibility and the cost.	Visit www.ccpc.ie for information on types of mortgage protection, what benefits you get etc.
Life insurance	Pays your estate either a lump sum or regular income if you die during the time limit set out in the policy. The cover is either <u>whole of life</u> or for a specific term.	Your age, gender, health and family medical history will affect your eligibility and the cost.	Visit www.ccpc.ie for information on cover, benefits and costs etc.

**Tip!**

You can compare the cost of personal health insurance by contacting the Health Insurance Authority at www.hia.ie. Buying some of the insurance products above can give you peace of mind and a good deal of security, should the worst happen. Make sure that you shop around for your insurance products and buy products that are best suited to the needs of yourself and your family.

Pensions and retirement planning

As you raise your family, now is the right time to think about your pension because the way you balance your work life with your childcare options will affect your retirement fund. When you take extended maternity, parental or adoption leave or change your working arrangements, your pension can also be affected. Depending on your pension scheme, payments to your pension fund may stop as soon as your wages do. You can get more information on pages 12-13 (**Stage 1**).

Impact of changes to your work arrangement on your retirement plans

Changes to your work arrangements, for example taking a career break, working part time, taking extended maternity/adoptive leave etc.

See the table on page 13 in **Stage 1** for information on how changes to your work arrangements can impact on your pension benefits.

Change jobs or work for yourself

It is important to consider the implications this will have on your pension benefits and income as well as your work life balance in advance of changing.

- If you were less than 2 years in your employer's pension plan, you may be able to get back your contributions, less tax.
- If you have a **personal pension plan** or **PRSA** you can continue your pension if moving job or working for yourself. But you won't get **tax relief** on further contributions unless you have new self-employed earnings or your new employer doesn't have a pension plan.
- If you become self-employed, there will be no pension contribution made on your behalf unless you set up an individual pension.

If you decide to give up work

If you decide to give up work, your wages and pension payments (if you contribute to an employer pension plan at work) will stop for as long as you are out of the workplace.

- When you retire, you will still receive the benefits you have built up so far, but your fund will not have grown through additional contributions from you and your employer.
- You may want to consider setting up a **personal retirement savings plan (PRSA)** to have provision for your future (see page 13).

Making up the gap (topping up)

If payments to your pension fund do stop or reduce due to changes in your circumstances, there are ways to make up the gap.

- **Additional Voluntary Contribution (AVCs)**: they are additional payments to your pension that can help to boost the value of your retirement benefits. They could make up for payments that were not made to your pension while you were on maternity or adoption leave.
- **NSPs**: this stands for '**Notional Service Purchase**'. If you work in the wider public service, you can apply to make these payments; they have the same purpose and effect as AVCs.

Wills and estate planning

Now that you have dependents, planning your estate is not only practical, it's necessary to make sure your dependents are taken care of. The best way to plan your estate is to write a will. If you don't, you may die 'intestate' which means that the law will decide who inherits your estate. Making a will simplifies all of this and allows you to decide who gets what, with minimum delay and hassle.

Writing a will doesn't need to be difficult. It is possible to buy a 'will kit' in bookstores to help you write a will or if you are a union member, you may have access to free wills service. Or you can contact your own solicitor, but you will pay for their services.

Free Legal Advice Centres (FLAC) have produced a number of useful information leaflets which can be viewed or downloaded at www.flac.ie in their publications section.

**Tip!**

If you are unmarried or co-habiting your legal rights differ from legally married spouses. Revisit page 14 in **Stage 1** for information around pensions, life insurance, property/wills, tax and social welfare considerations for unmarried, co-habiting or same-sex couples.

My to-do list

- Start talking to my children about money.
- Think about opening a savings account for my child(ren).
- When my insurance is up for renewal, shop around to make sure I am getting the best deal.
- Look at my health and life insurance needs and make sure I have the cover I need.
- Make a plan to top up my pension benefits if I can.
- Arrange a will if I don't already have one.