



Regions Wealth Podcast

Episode 16: Nanny Diaries

Even for high-income households, budgeting for childcare can be a major adjustment. For many, it can be difficult to know how to reduce childcare costs. In this episode, Senior Vice President and Fiduciary Area Business Manager Michele LaPorte joins us to discuss what expectant parents can do to plan ahead for childcare expenses.

Episode Transcript

Anne Johnsos:

Welcome to Regions Wealth Podcast, the podcast that tackles life's challenges with financial experience. I'm your host, Anne Johnsos. One in three US families spends 20% or more of the household income on childcare. Even for wealthy families that can be a major expense or at least a major budgeting adjustment. How can you plan for this kind of spending and what solutions exist? Joining me in studio is Michele Laporte. She's a senior vice president and fiduciary area business manager at Regions. Michele, thanks for being here.

Michele LaPorte, Senior Vice President and Fiduciary Area Business Manager, Regions Bank:

It's wonderful to be here today.

Anne:

In today's episode, we'll be discussing the cost of childcare, and what families can do to plan ahead. We've taken frequently asked questions from a bunch of people and developed a character who needs your help. Let's listen.

Leilani:

Hi! My name is Leilani. I'm 39, and I'm about 12 weeks away from becoming a mom. My partner and I are so excited about this baby. Also terrified, but more excited. We've been in full-on prep mode for months now. I think we're mostly prepared, but then again, can you ever really be prepared for a baby?! The one thing we still haven't figured out is what to do about child care. I work with a nonprofit serving people with developmental disabilities. I'm looking forward to my maternity leave, but I really love my job and I know I'll want to go back. The problem is, my salary isn't high. It'll cover the cost of a nanny and that's about it. Group childcare looks more affordable, but all of the really well-respected places have these crazy waiting lists. One told me there were over 200 people ahead of me! And even if we did get in, I get a little nervous



thinking about it. How much attention does each baby get when there are five babies for every one caregiver?

Anne:

Given the rising cost of childcare, some parents feel like they're working to pay for someone else to watch their kids. What questions can parents ask themselves to figure out if it would be financially beneficial for one person to leave the workforce?

Michele:

The first thing they need to do of course, is sit down and look at their budget. In fact, a big thing they can do is live on one budget. Live on one person's salary for a while and see how that feels. Are you able to make it, do you still have a little savings? How is that for your family's lifestyle? Especially in this case, they really need to consider where they are with their budget. Her salary could be 100% wiped out by paying for daycare expenses, but her value is to continue working to be a part of the workforce. If she misses a beat, would that mean that she would miss the next promotion? Would that mean that she's not able to continue to save into her 401k plan? Yes, possibly. She's age 39 — she's further along in her career. So she really does need to kind of step back and figure out what does this mean for me and baby. Am I a happier mom because I'm going off to work every day? Yeah, she may be. If you feel more fulfilled as a mom, you're going to feel fulfilled as a worker and then vice versa. That feeds off of each other.

Anne:

So let's assume like you said that on paper one parent is spending 100% of his or her take home pay on daycare. Are there certain factors like tax deductions for childcare expenses that should be taken into account?

Michele:

Yeah, absolutely. When you're considering welcome a new child to your family, one of the first things you want to take a look at is the benefits that you have with your employer. Do you have what they call a flexible spending account or FSA. This means that you can put aside pretax dollars for dependent care up to \$5000 each year. You can put aside pretax. That's a wonderful program. So if you or your spouse have that, you definitely want to put that down on your line items of things to take care of. There is always the dependent care credit. There is a child tax credit, there's a number of credits. Now these are credits, not deductions. So what they're doing is reducing how much you're paying in taxes. So those three components are what you have. You have the child tax credit, the child and dependent care tax credit and hopefully your



company offers you a flexible spending account. These are all things that when you put them together can really help you to afford your childcare. And there's some other unusual things you might look into as well. You may also look into, Does my childcare facility offer the ability to volunteer some hours and take some dollars off the amount that I'm spending that particular month on childcare? Some definitely do that.

Anne:

Those are great questions to consider. OK, let's check back in with Leilani.

Leilani:

I just wish we knew more about how other people do this. Did they save more than us? Does everyone but us have family nearby? Paying for childcare is practically like paying a second mortgage. How do people save anything?! My partner Darren makes good money. He's a Clinical Research Director and we could make it work on his salary alone. The thing is, I don't want that. I like working. I have a strong connection to the people I work with. The job is challenging, but it's really rewarding, and I don't want to give it up. My career is a big part of my identity and I'm proud of it. Darren's very understanding about this, but I can tell he doesn't quite "get" it. I guess I could take a longer break from work so we could start daycare when the baby would be in the toddler room. But what would that do to my career? A two-year gap feels like a setback and I've worked really hard to get where I am.

Anne:

Okay, Leilani is worried two years is a major setback in her career. I get where she's coming from: A study by the Institute for Women's Policy Research found that women who took just one year off work had earnings that were 40 percent lower than those who didn't take time off. If she wants to take two years, but she also wants to maintain her earning potential, what can she do?

Michele:

When you consider how many people go back for their MBA in two years and come back to work and don't miss a beat. It's not that long at all. I know I did that personally. I took off about two years so that my youngest would be in the toddler room. Not a problem at all. Stay up in your profession though. Keep your training up to date, understand anything that's going on new in your profession. You want to stay fresh and don't get stale and those two years will fly by and you'll be able to go back in, ready to go.

Anne:



Because she really loves the job and she wants to go back to the job, but if she can't and she has to spend a couple of years to make it feasible, she will have a place back at the job. Right. If she's 39.

Michele:

I really feel like listening to this story being 39 she's very skilled in her profession. And actually, they'd probably work with her. She just needs to ask. She needs to talk to her employer and find out, you know, "for two years I'd like to work part time, or I'd like to work an alternate schedule, or I'd like to job share." Sally's in my same position. And she may be surprised to find that the employer's more than happy to do that because they love her skillset. They want to keep her, they don't want her to go off to another employer at the end of two years, so they'll do what they can to keep her with them.

Anne:

When a family is spending 20% of the household income on childcare, what are some ways to adjust the budget?

Michele:

One of the best ways is to take a look at each line item very carefully. You'd be surprised what's hidden in there. You may not realize that you're going to grab that \$6 cup of coffee every afternoon. That instead will probably be replaced with purchasing diapers. So there's an exchange in budget line items, but there's also a change in lifestyle. So you need to start thinking about that change in lifestyle and understand that we're going to have changes. This is going to be for baby. Really sit down and take a look at the detail of what you have going on in your life and then you'll be in your best position to be ready for baby.

Anne:

Absolutely – it's a huge lifestyle change and combing through those details is so important. Alright, let's check back with Leilani about what else is weighing on her.

Leilani:

My coworker Li had her first baby last year and came back to work after 12 weeks. They went really deluxe with their nanny. Like, the nanny speaks Mandarin to the baby so she can grow up bilingual. We went to lunch and Li admitted that their nanny actually costs more than what she's currently earning. I thought that was crazy, but honestly, now that I'm faced with that same decision, I get it. I know I'm going to love being a mom, but I also know what makes me happy, and I think I'll be a better mom if I keep my career.



Anne:

So Leilani talks about hiring a nanny. There are lots of ways to go about childcare. You know, you can do the daycare, you can do the nanny, you can do grandma. What should she be thinking about in terms of expenses and quality of care when she looks at all these options?

Michele:

Absolutely. And they go hand in hand. You really want to feel comfortable where you're have your child every day, you're entrusting your child to this person or this location. Daycare. What is their ratio? How many children per caregiver, with grandma is she able to keep up with your toddler? With nanny, you're going to be an employer. There is a lot there with a nanny but it's fantastic care for your child and you may do a nanny share where you share a nanny with another couple. There's a lot of options out there. What it really comes down to as you said is what is your comfort and budget level? Maybe you can use a combination approach. Maybe you can use daycare a few days a week and grandma for the other two days a week. That way you don't wear out grandma. Say you've decided daycare. That's what I did personally. And I always kind of wondered, should I have my child at home, should she be with a nanny? And you know, as she grew up and as now I'm on the other side of that, I can really see she was great. She socialized, she did fantastic and it was our right choice for us, but it's different for everybody. I know my daughter was aware that there were nannies. She used to ask me about the pink dress mommies that used to come and pick up her friends from school. Well, I found out pink dress mommies mean they were ladies in pink uniforms coming to pick up the children they were in charge of for the afternoon.

Anne:

So the nannies all had a certain uniform.

Michele:

Yes, they did. They had their pink dresses on. So my daughter wanted me to get a pink dress mommy to bring her home. And so of course that laid a layer of guilt on me at the time as a young mom is that, "oh, she wants to go home." And I, so I got out of work early one day, went to go, "see I'm here, Mommy's here." "Well you're early, you'll go sit there. I'm on playground." I came out of order in her day. I wasn't supposed to be there until 5:30. So what I thought was guilt that my child wanted to go home with nanny wasn't, she was happy, she was with her friends, she was carefree. She just wanted to know why those pink dress mommies, were taking the other kids home. So you really just have to listen to your child, listen to yourself and



feel what's the right choice for you in line with your budget. So a combination approach often is a good way to approach childcare if you can.

Anne:

So you mentioned benefits. Would Leilani and Darren need to provide their nanny with benefits? What kinds of benefits?

Michele:

Well, it's a very competitive environment for nannies right now and benefits are almost a given. And some of those benefits include an array of things that you just see at your own employer. Paid time off, holidays, reimbursement of health insurance premiums, cell phone. Is their cell phone being provided? Are you going to help them? You have to reach them on their cell phone. What about mileage and transportation? There's an array of different things that is being covered now for nannies. The package is pretty encompassing so there is a lot there and you want to delineate that again in that work agreement so that everybody knows what to expect and everybody is well informed.

Anne:

Let's say you want a nanny but you are not capable of figuring out, you know, withholding taxes and paying benefits. Are there services out there where you can get a nanny without having to do all that yourself and maybe without even having to like do the initial screening.

Michele:

Absolutely. There's some great nanny services out there and that's key right there. The screening. You want to make sure that you're making a good combination for family and nanny, child, that this is all going to be in sync. And then all of that accounting is taken care of. You're doing it correctly.

Anne:

And legally.

Michele:

Yeah, absolutely.

Anne:

What about the long-term implications for someone who stays home until baby's in kindergarten or past elementary school. What about someone who takes a serious



gap?

Michele:

When you're in a situation where you want to take a serious gap, you want to be at home with your children, you really need to consider your budget. How are you all going to handle that? But at the same time, if you're going to go back in five years, when baby goes to kindergarten, keep your skill set up to date. Keep your career fresh. Perhaps add a certification. Perhaps you are an accounting major in college, go get your CPA. Go back stronger. Go back with more skills. I personally got my CPA sitting at an array of football games for my son so you can make it happen. You just need to dig in, keep your skillset strong and your time off, make it productive time off and you're there for your children. So it's a win-win.

Anne:

For these podcasts, we like to end with some takeaways. Something that maybe an audience will say to a friend, "hey, you got to hear this. Do you know this?" So what could you offer as some takeaways for planning for early childcare?

Michele:

Absolutely. One of the most important things you need to think about is your budget. Of course, if you can do advanced planning and understand your budget, you're putting yourself in your best position before you start your family. Not that there's ever a perfect time, perfect age to have a child, but you can take a good look at your budget. Take a look at the benefits you have at your work. Do you have an FSA account? Do you have a family friendly company you're working for? Maternity, paternity leave? What are your options there? Can you have a flexible schedule that can help you with costs? You work three days a week that takes you to have be able to be home with your child two days a week. Know your options. That's a key takeaway. Know your budget. Know your options. Make sure that you've taken a look at also your ability to save for retirement. Can you use those spousal IRA rules? Talk to your CPA so that way you can continue saving for your retirement that's so important. Also as you're considering your financial plan, also consider your estate plan. I know that seems a little odd when you're talking about a new baby, a new life, but in actuality, who's going to take care of that child if you are not here, make sure you have your documents up to date. Make sure you have your health care power of attorney up to date. That means who's going to make decisions for you if you're incapacitated, you're about to have a child. This is a big deal. Before you have your little duck, make sure all your ducks are in a row. Most importantly, this is an evolving process. They're planning for their first child, well soon it could be number two, number three, and it's



going to change with each child. You may have younger children with a nanny, your older children may roll into a daycare or a sitter service setting. There's a lot of options that you can take. Be open to them, do your good due diligence and understand your budget.

Anne:

Thank you so much. Michele LaPorte. She's a senior vice president and fiduciary area business manager at Regions. We learned so much. Thank you for joining us.

Michele:

Thank you. It was wonderful.

Anne:

And thank you for listening! We hope you found this episode valuable and if you did, we'd love it if you'd share our podcast with a friend. Thanks again and join us next time for a new topic with fresh insights on Regions Wealth Podcast.

Anne:

Copyright 2019 Regions Bank, member FDIC, Equal Housing Lender. This information is general education or marketing in nature and is not intended to be accounting, legal, tax, investment or financial advice. Statements of individuals are their own—not Regions'. Consult an appropriate professional concerning your specific situation. This podcast is intended for educational and marketing purposes only. The people and events are fictional but represent real issues. No identification with actual persons is intended or should be inferred.

Copyright 2019 Regions Bank, member FDIC, Equal Housing Lender.

All non-Regions' owned apps, websites, company names, and product names are trademarks or registered trademarks of their respective owners. Their mention does not imply any affiliation with or endorsement by Regions of them or their products and services. They are merely used as examples of the many available apps, companies and websites that offer similar services. Before using any app or website you should carefully review the terms of use, data collection and privacy policies. Apps may have an initial cost or in-app purchase features.

This information is general in nature and is not intended to be legal, tax, or financial advice. Although Regions believes this information to be accurate, it cannot ensure that it will remain up to date. Statements or opinions of individuals referenced herein are their own—not Regions'. Consult an appropriate professional concerning your specific situation and [irs.gov](https://www.irs.gov) for current tax rules. Regions, the Regions logo, and the LifeGreen bike are registered trademarks of Regions Bank. The LifeGreen color is a trademark of Regions Bank.

