



#### PARENTAL LEAVE & EARLY CHILDCARE

The act of taking time off work to give birth or care for young children.

# What you need to know: parental leave and early childcare

Are you ready to navigate the financial dimensions of parental leave and early childcare?

## What is parental leave and early childcare?

Parental leave is the act of taking time off work to give birth to or care for newborn children. Traditionally, women take the most parental leave, but men are increasingly doing so as well.

Early childcare is the act of taking time off to care for and / or educate children until the start of primary education. Early caregivers include parents who continue working and those who stay home with their children.

Because many savings vehicles and infrastructure that promote financial security are employer-based, working parents are forced to make difficult financial choices to balance the cost of childcare, which can be steep, with the demands of a full-time job.

The U.S. Department of Labor [estimates](#) annual child care prices, in 2022 dollars, range from \$5,357 for a single school-age child receiving home-based care in small counties to \$17,171 for infant center-based care in very large counties. These price ranges are equivalent to between 8% and 19.3% of median family income per child in paid care.

If you leave the workforce periodically to care for young children, you might also encounter “hidden” costs. People who experienced workforce interruptions, could amass 22% less in retirement savings, on average, compared with those who didn’t.



## How can TIAA help?

Without a plan to cover increased expenses and lost wages, many parents make hasty financial decisions, like withdrawing money from savings or retirement accounts, taking on debt, or falling behind on their bills. To help you avoid these pitfalls, TIAA has several planning tools, including:

- [Budget worksheet](#)
- [Debt management](#)

## Determine your next steps

Parental leave can be physically, financially and mentally stressful. Your financial advisor can help you create a plan to reduce the stress. And while you are working with your advisor, it may be helpful to coordinate with other professionals in your network, too.

For instance, you may want to review your life insurance to determine if additional amounts are needed now that your family has grown; your tax situation may be changing; your potential college expenses may increase; and your health insurance requirements may be different. This is also a good time to revisit your estate planning documents to review guardianship of minor children and inheritance plans.

Additionally, if you or your partner are planning to take time off for childcare, consider maxing out your retirement plan contributions early in your careers, as the “magic of compounding” can help offset contributions you forgo while out of the workforce. An extra \$1,000 you save once at age 30, for example, can have the same result as an extra \$1,000 you save every year from ages 60 to 66.

Also be sure to review your employer benefits, if applicable, to understand your family leave options, as well as any family expansion benefits that are offered (such as adoption or fertility assistance). And check your state’s website for more information on your options.

Finally, if you or your partner have decided to stay at home with children, consider discussing ways to earn extra income—perhaps through gig work, self-employment or part-time work—to offset childcare costs or lost wages.



## Contact us

To learn more, contact your TIAA financial professional, visit [tiaa.org](https://tiaa.org).

## Resource overview

### Employer benefits

- [US Department of Labor: Workers and Families](#)
- Flextime, paid family leave
- Dependent daycare FSA
- Emergency backup care
- Employee networks/ caregiver resource groups
- Adoption/fertility financial assistance
- Mother’s rooms for breast-feeding at work

### Income tax benefits

- [Child and dependent care credit FAQs](#)
- [Tax information for parents](#)
- [Whom may I claim as a dependent?](#)
- [Manage taxes for your gig work](#)
- [Kay Bailey Hutchison Spousal IRA Limit](#)
- [Saver’s credit](#)

### Retirement saving options

- [Maximize employer retirement plan contributions](#)
- [Simplified employee pension plan \(SEP\)](#)
- [IRA contribution limits](#)

### Other resources

- [Childcare.gov](#)
- [Childcare costs](#)
- [Adoption & Guardianship Assistance by State | Child Welfare Information Gateway](#)
- [Small Business Administration](#)
- [Baby on board changes insurance needs](#)
- [Life insurance - portability or conversion](#)