Print this Page

Baby on Board

How to survive the maternity leave money crunch

By Camilla Cornell

Photo by Michael Alberstat

Deanna Wilmshurst, of Dartmouth, N.S., freely admits that she was blithely unprepared for the financial squeeze that accompanied her first maternity leave. Toward the end of her 12-month leave, “we’d get to the grocery aisle where the diapers and formula were and we’d be looking at another $50 for both,” she says. “I put a little cash aside, but I didn’t do enough to prepare for it.

Few people do, says Diane McCurdy, president of McCurdy Financial Planning in Vancouver and author of How Much is Enough? (John Wiley & Sons). “There are two things happening here,” she says. “You have more expenses and your income is reduced. It’s a double whammy.” Here are some tips on how to enjoy your new baby instead of angsting (and perhaps even bickering) about your finances.

talk about it

Since Wilmshurst and her hubby, Niels Nielson, are both MBAs, they had no trouble discussing finances. Their attitude: “We’re in this together.” They used Wilmshurst’s Employment Insurance (EI) cheques to pay the mortgage and Nielson took over the other bills. “You have to look at yourself as Family Inc.,” sums up McCurdy. “One person is working and one is getting reduced benefits, so how does the family cope?"

track your expenses

Having trouble stretching your leaner income to cover the monthly expenses? The first thing to do is figure out exactly how much you have coming in and where your money goes. McCurdy suggests tracking expenses for a month by throwing every receipt into an envelope and then tallying them. If there’s more going out than coming in, it’s time to cut back.

wants vs. needs

Divide expenditures into “needs,” like housing, food and commuting costs, and “wants,” like vacations, dining out and recreational expenses. Then hash out your priorities. For Wilmshurst and Nielson it was simple. “The mortgage and bills have to be paid first before any frivolous stuff.”

cut costs

Starting with the “wants,” look for opportunities to economize. Wilmshurst and Nielson gave up going to the movies and dinners out. Then they found ways to shave the cost of necessities. “We did a lot more meal planning,” says Wilmshurst. “I would cook a big roast or a chicken and then serve leftovers or use the meat in other meals for the rest of the week.”

In addition, she made all her own baby food and relied on second-hand clothing and equipment from a friend. Don’t have a supply of hand-me-downs? Try the second-hand shops, suggests McCurdy. “Babies almost always outgrow their clothes before they wear them out. And they can’t read labels yet. They don’t know about fashion.”

delay expenditures

London, Ont., couple Michelle Morenz and Les Miller bought a house in anticipation of the birth of their first son Josh. Then, they bought living room furniture on a “don’t pay for a year” plan. But Morenz cautions other couples not to choose that option unless the purchase is absolutely necessary.

“If you don’t pay it off immediately when the year is up, you get stuck paying interest for every day since you bought it,” says Morenz. “So we did pay it off. But it took us six months after I got back to work to again get comfortable with our finances.” Adds Miller: “We had zero spending money.” Avoid building up debt if you possibly can, advises McCurdy. Even your tiny Einstein’s college fund can wait. “It’s so hard if you get behind the eight ball.”

future perfect

What did both Morenz and Wilmshurst learn from their first mat leave? That they should better prepare for the money crunch the second time around so both had a nest egg set aside when they gave birth to Child No. 2. “I have the opportunity to get my overtime paid out, so I banked that,” says Wilmshurst. “And when I did my taxes, I put the refund away as well. You live and learn.”

As a freelancer, Camilla Cornell never actually qualified for mat leave... making her doubly qualified to talk about the money crunch.

maternity benefits

The basic benefit rate is 55 percent of your average insured earnings for up to 15 weeks—for a maximum payment of $435 per week

Parental benefits
For all biological and adoptive parents the rate is 55 per cent of your weekly insurable earnings (up to a maximum of $435 per week) for up to 35 weeks. Mom can collect the whole 35 weeks, or dad can, or it can be divided between them. You may also be eligible to receive a higher benefit rate if you are in a low-income (less than $25,921) family and receive the Child Tax Benefit.

Top up
Some lucky parents work for companies that top up their employee salaries during their leave, paying the difference (up to a percentage) between the EI benefit and their normal salary. The average top-up length is 17 weeks but can be longer—check with your Human Resources department.

A little more money
If your workplace can’t live without your input and you’re looking for a little extra cash, you can earn $50 per week or 25 percent of your weekly benefits—whichever is higher—while on parental leave. However, anything earned above that amount will be deducted dollar for dollar from your benefits.

You can also apply for the Universal Child Care Benefit (UCCB) delivered by Canada Revenue Agency. Parents receive $100 per month for kids under age six. Some families may also qualify for the Canada Child Tax Benefit (CCTB). The amount varies on region, income level and marital status, so check with the Canada Revenue Agency (cra-arc.gc.ca).

Money Saving Tips

- Try living on one salary prior to mat leave. You can bank the second income for an emergency fund and you will be better prepared to live on less.
- Opt for previously loved clothing, equipment and toys. Check out garage sales, second-hand stores and consignment shops.
- Trade babysitting services with other parents.

- Start your own gourmet club. Each couple can make a course, bring their babies along, and have a wonderful night out for a pittance.
- Defer RRSP contributions until you're back to work. The contribution room carries forward, so you won't lose it.

What is your spending personality? Find out with our family finance quiz.