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TAX MATTERS

Eight financial moves new and expecting parents should consider

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Last weekend was an exciting time. Two couples who are close friends of ours announced that they're expecting. Both babies are due within a couple of weeks of each other. I know how fast the time flies when you have kids; before they know it, their babies will be toddlers.

Today I want to share the top personal finance opportunities these couples should start thinking about.

Contribute to an RESP. If you contribute \$2,500 per year to a registered education savings plan (RESP) for your child, from their first year, you'll be entitled to the maximum Canada Education Savings Grant (20 per cent of your contributions to a lifetime maximum of \$7,200) from the government. This will create about \$100,000 of education savings per child by the time they are 18 if you earn 6 per cent annually on the investments in the plan.

Apply for the Canada Child Benefit. As soon as your child is born, apply for the Canada Child Benefit (CCB) by using the [Automated Benefits](#)

[Application](#) online. The payments are monthly, are based on your family income and number of children and can be up to \$649 per month for children under six, or \$548 for kids six to 17. Check out this [calculator](#) to estimate your CCB. In Quebec, you may also be eligible for the [Family Allowance](#).

Apply for EI maternity and parental benefits. To help you take time off work to care for your new baby or newly adopted child, you may be entitled to [maternity and parental benefits](#). You can apply online through the [Service Canada](#) website. You could collect up to 55 per cent of your earnings, to a maximum of \$668 per week.

Buy life and disability insurance early. If you're a breadwinner in the family and something happens to you, could the financial needs of your new child, spouse or other dependents be met? Consider buying life insurance to provide the funds to create an income if you're gone. Consider disability insurance to provide income in the event you become disabled, to ensure your

family's needs are met. The younger and healthier you are, the cheaper insurance will be. So don't delay.

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Insure the life of your child. It might seem silly to buy life insurance on your new baby, but it can be a smart move. Buying a whole life policy is inexpensive when the child is young, can accumulate investments on a tax-sheltered basis in the policy, and can transfer tax-free to your child later when they are adults. The funds can be used for any purpose. If you invested \$216 monthly into a whole life insurance policy starting in their year of birth you'd have about \$70,000 in the accumulating fund in 20 years, and about \$136,000 in 30 years, at an annual dividend of 6.35 per cent. Plus, a tax-free death benefit would be paid in the event of your child's death. See my [article](#) from September, 2024, for more on insuring a child.

Claim increased credits. The GST/HST credit is a tax-free quarterly payment that can help lower-income families. You and your spouse have to file a tax return annually to collect the credit, and the amount of the credit will increase as you have children. Also, don't forget about the [Canada Workers Benefit](#). This is a refundable tax credit that helps working families with lower incomes. The basic amount is \$1,590 for single parents and \$2,739 for families (in 2024); the amount will be reduced as your net income increases. Finally, single parents may be able to claim the [Eligible Dependant Amount](#).

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Claim the adoption expense tax credit. If you're adopting your child, you can claim eligible adoption expenses in the year the adoption is finalized. You can claim up to \$19,066 (for 2024) federally for each child, plus a provincial amount that can vary by province but is generally similar in amount to the federal eligible expenses.

Claim child-care expenses. If you incur child-care costs to allow you to work, run a business or attend school, you'll be able to claim an amount of up to \$8,000 for each child under seven, or \$5,000 for children ages seven to 15. If your child has a disability you can claim up to \$11,000. You can claim costs for nannies, babysitters, nursery schools, or daycare centres. Generally, it's the lower-income spouse that must claim these costs (with some exceptions).

Tim Cestnick, FCPA, FCA, CPA(IL), CFP, TEP, is an author and co-founder and CEO of Our Family Office Inc. He can be reached at tim@ourfamilyoffice.ca