



Howie Javelina's My First Account



Congratulations on your new baby!

Welcome to parenthood! Few occasions in life are as joyful as the celebration of a new baby. Whether it is your first child or the third, a child will make a big impact on your financial life. Hughes Federal Credit Union is ready to help! Well maybe not with nighttime feedings but with the financial security you want for your new family. Let us help you prepare for your new arrival. Hughes created this flyer to help you better understand and prepare for the financial aspects of a new child. And don't forget that answers to your questions are as close as your nearby Hughes branch or Web site at www.hughesfcu.org.

Some things you should consider:

Getting a Social Security Number for Your Child

You'll want to obtain a Social Security number for your new child so that you can claim them as a tax exemption as well as open a savings account in their name. Many hospitals will provide you with an application before you leave. If you didn't receive one, or your child was born elsewhere, you can visit the nearest Social Security Administration (SSA) office and ask for Form SS-5. You can also obtain it at www.ssa.gov. It normally takes 6 to 12 weeks to receive a card.

When applying for a Social Security number, you'll also need:

- Social Security numbers for both parents,
- Two documents that verify your child's age, identity, and citizenship status (such as a birth certificate and the hospital's birth record).
- Proof of your identity, such as a driver's license or passport.

Adoptions and Social Security Numbers

If your child was adopted and is a U.S. citizen, they probably already have a Social Security Number. If not, complete IRS form W-7A (also available at www.irs.gov) to obtain an Adoption Taxpayer Identification Number that you can use while the adoption is in process. If you are adopting a child outside of the U.S., once your child is in the states and the adoption is final, you can submit a Form SS-5 to the Social Security Administration as described earlier.

Tax Breaks

Each child you have can provide an exemption on your taxes. The exemption allows you to deduct a portion of your taxes to help offset basic living expenses. Your child generally qualifies for the exemption until age 19, or 23 if in school. If you are in a very high tax bracket, you might not be entitled to the full exemption. To claim your exemption, list the number of dependents on your tax form and follow the instructions.

The government also offers a Child Tax Credit that could reduce your taxes for each child you have depending upon your income level. You obtain the credit by completing the appropriate line on your tax return.

* Please consult a tax advisor for your specific situation.



Saving for College:

Make college affordable and start saving today

Once you know you have a baby on the way, it is a good time to start saving for a college education. College costs increase 5 to 8 percent each year and starting early will produce the best results. Here are ways that Hughes can help.

Coverdell Education Savings Accounts

An Education Individual Retirement Account (IRA) provides you an excellent way to save tax-free for your child's future education. You can deposit up to \$2,000 a year per child, from birth to age 18. You can also transfer funds from one child's account to another child's account. Your child can begin withdrawing funds tax-free and penalty-free when they begin college.

529 College Savings Plans

529 Plans allow you to make even larger contributions than a Coverdell Education Savings Account and gives your savings a tax-deferred way to grow. Funds grow tax-free and you don't pay taxes on the amount withdrawn if it is used for higher education at any accredited college or university in the U.S.

Roth IRAs

Open a Roth IRA at Hughes and you can withdraw money that's been in your account for at least five years to pay for a certain educational expense such as college tuition without paying any penalties or added taxes. Your annual contributions are not tax-deductible.

Custodial Accounts

Money you save for your child or grandchild can be controlled until they become an adult. You make the decisions about how much to invest each year and how the money will be used. In addition to cash, you can also place stocks and bonds in custodial accounts. Usually the first \$750 of earnings a year are not subject to taxes. Up to an additional \$750 of earnings will be taxed at the child's rate, and any earnings above that are taxed at your rate. Withdrawals may be taxable.

Prepaid Tuition Plans

Many states allow you to start paying for most or all of your child's tuition at a public college or university while they are still a child. You are prepaying tomorrow's costs and today's rates but the money can only be used at one of the schools covered by the plan. Contact a college or university that interests you for more information.

* Information accurate as of the publication date and subject to change.

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