



## Regions Wealth Podcast

### **Episode 13: Planning for the Cost of Adoption**

The expenses associated with adopting a child can be steep, and costs can vary widely based upon a variety of factors. For families wanting to add a plate at the dinner table, the road can be long, complicated, and costly. Wealth Advisor Keith McCord joins us to discuss financing adoption, and what steps families should take when preparing for adoption, both emotionally and otherwise.

### ***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.

A report called *Adoption: By the Numbers* released by the National Council for Adoption showed a very slight increase in U.S. infant adoptions from 2007 to 2014 – that's the most current year reported. And while international adoptions have been declining for the last decade, more than 6,000 children from outside the U.S. were adopted here in 2014. For families wanting to add a plate at the dinner table, the road can be long, complicated and costly. Joining me in studio is Keith McCord. He's a Wealth Advisor for Regions Private Wealth Management. Keith, thanks for being here.

#### **Keith McCord, Wealth Advisor, Regions Bank:**

Thanks for having me.

#### **Anne:**

In this episode we're talking about "Adoption Options." We've taken frequently asked questions from a bunch of people and developed a character who needs your advice. Let's listen.

#### **Liz:**

I'm Liz. I'm 43 years old. I'm a thoracic surgeon, but more importantly, I'm also mom to a little boy. My husband and I met during our first year of med school but wanted to wait until we'd made it through our residency and fellowship programs before getting married and starting our family. We had our son five years ago, and he's been my greatest joy. I'd always envisioned adopting a child someday. I grew up in a large family with two adopted siblings, both of whom are very close in age with me. I really



can't picture my life without them, and I want my son to experience that same blessing. My husband is on the same page -- we've actually been discussing adoption for ten years now. The holdup? He's always concerned that the timing isn't right... at least not from a financial standpoint.

**Anne:**

Okay. Adoption is expensive with overall costs running as high as \$50,000. What are some funding or financing options you could offer to Liz?

**Keith:**

Liz, what you could do is use some of the safety net you all put together. Then the other option would be to maybe marry that with some new debt sources that you can probably easily qualify for or definitely afford. Those would be the avenues I would suggest.

**Anne:**

When you talk about creating new debt, you're talking about using the mortgage?

**Keith:**

Yeah, I would consider taking whatever mortgage you have now, adding some money to that, which you can take out to fund this. Then you would have a set, fixed rate debt. Use that funds and pay for this. Then you have a set mortgage payment every month and you can budget for that.

**Anne:**

So Liz has been thinking about this for a long time, but she hasn't gone to an agency. How should she get herself ready personally and financially in order to get to that agency? What will the agency tell her?

**Keith:**

Well, I think the first thing we need to do is probably go interview two or three different agencies and find the one you're real comfortable with. Or maybe you have a friend that's used one and they're very comfortable with them. That's the first step because they're going to be able to help you, much like we would on the financial side. But just through this process. Because there's a lot to it. It has to be done just right. Some of those steps will be making an application, going through having a background check, even to the point of having fingerprints done. There's personal



references that have to be obtained and presented, possible adoption classes that are beneficial. Very beneficial. It helps them get to know you and you to know the agency.

**Anne:**

Before we get to the next part, I want to ask this. Keith, I know adoption is personal for you. Would you be willing to share your adoption story?

**Keith:**

Alright, so my wife and I, 20 years ago, went through all the IVF type stuff, which is—given my business—that's high risk, low return. You know, we did it, we tried it, didn't work. One of our friends from church said, "Hey, y'all might want to go talk to Miriam's Promise," which is our adoption agency now, was. We got an appointment with them, sat down, talked to them, then the next thing, we got into a group, I guess it was pre-adoptive classes we got to go to.

I said, by Christmas, end of the year, something good could happen here. We kind of went through that, it didn't happen. We get through the holidays, first of the year, and then all of a sudden, Wednesday night, January 6th, we got a phone call. It was our counselor. She goes, "Well, there's something I need to tell y'all." She goes, "It's twins." I'm going, "Twins!" It's twin girls. We were like, "Wow, that's crazy!" So I'm sitting there and we're just floored, basically. And then Friday, mid-day or so, we go down and pick them up at the hospital. And it's never been the same, you know?

**Anne:**

That's fantastic. You went from zero to 100 miles an hour pretty much overnight.

**Keith:**

Pretty much, but that was fun. Looking back on it, for us, that's probably the way that it probably was best. You never know how all that stuff is going to work out.

**Anne:**

That's a great story. I'm a little weepy over here. Okay, let's listen to the next part of Liz's story.

**Liz:**

We're both surgeons and are fortunate to be able to afford all of the associated costs. However, we're still paying off med school debt while also working hard to save for our family's future. I get his concern. I, too, am worried about taking such a large sum from our safety net. We're both big on saving and planning; we're well-matched in that



regard. We've worked hard to build up a two-year safety net. The thought of reducing our savings just before bringing a new child into our home is scary. I've suggested dipping into our retirement fund instead. After all, we have 20 more years to rebuild that, but what if one -- or even both of us -- suddenly had a health crisis and couldn't work anymore? We'd need that money to support our family.

**Anne:**

Liz is understandably concerned about using a large chunk of their safety net. She's thinking about withdrawing from their retirement fund instead. What are the pros and cons of each of those options?

**Keith:**

I would counsel her to be careful on taking money out of that because they're just not of age yet where it's very expensive. It's a 10% penalty plus the tax, your tax bracket, so it can get up to 40% pretty quickly. So that would caution them real quickly on that. But maybe they could go and do part of their safety net that they have and take a portion of that and use some debt with it and kind of combine those two. I've even seen just with some of my coworkers there, they had so many people that wanted to help them that they literally did a fundraiser to help them pay for their adoption. Now that typically doesn't apply to high-net-worth folks. They don't need that, but it was very helpful for this couple.

**Anne:**

So if Liz and her husband decide to postpone adoption for a few more years in order to create an adoption fund, what would be the most effective savings strategy?

**Keith:**

The monthly set, automatic kind of savings is the best. I would put that right into some sort of very safe instrument that would have no chance of principal loss. So just a very standard, maybe even a money market account of some sort. It pays a little higher interest than savings, and that would be what I would suggest because you want that to be readily available.

**Anne:**

Liz says that she and her husband are still paying off their debt from school. How would you advise they balance those debt repayments against their savings goals?

**Keith:**



They were probably fairly aggressive on that, meaning they're paying more than they have to minimally pay to retire their debt. So they might be able to dial that back a little bit and just maybe get a little bit more toward the minimum on that. Of course, they're not paying off as much principal as they would like, but that's a lever they could pull in addition to using some of their safety net. But here's the thing, is once they have the child, there's going to be some cashflow differences here because somebody's going to have to be maybe at home and for X length of time, and then of course they get into daycare, which is very expensive. So from their safety net standpoint, I would rather see them probably keep that in place because they're going to need that.

**Anne:**

That's a great point: on top of saving for the immediate cost, you also need to save for the temporary loss of income. Let's check back with Liz about what else is weighing on them.

**Liz:**

There's just so many unknowns that can impact the cost. We don't really know yet if we'll be adopting stateside or internationally. If we adopt internationally, we may need to pay for multiple trips overseas, a translator, and immigration fees for our child. What if we adopt domestically? Then we might need to cover the medical bills and expenses of the birth mother. My husband and I are planners, but with so many variables coming into play, we've found it unusually difficult to begin the process. I suspect that the timing will never feel "right," and I'm worried that by the time we actually feel ready, our son will practically be an adolescent. I know the adoption process can be slow, so I'd like to start now. But those all-important factors -- the who, what, when, where and how -- they're all just one big question mark right now. That's been hard mental barrier for us to overcome.

**Anne:**

So Liz's story touches on something that many people struggle with, saving for a goal that may change significantly based on various factors. What advice would you give to those in a similar situation, whether they're saving for adoption or something else entirely?

**Keith:**

Well, life has a funny way of getting in the way of savings goals. Just things happen, and regular savings plans will usually work until something comes up that's unavoidable and you haven't planned for, which there's so many variables that she



touched on. Those are the things that they could work through before, that I think would be very helpful to them and narrow down and take some of the variables off the plate, international, domestic. You're going to go one way or the other. It just depends. It's a process and everybody needs to be on the same page and they need to be very honest with each other and themselves on what should we do? They probably just need to go ahead and do that, because postponing this much later is not a good idea for this couple.

**Anne:**

Okay, so let's say they make a plan and things work out: they're able to adopt. They already have one child in the house, so what's the first step for them now to adjust or build a financial plan for this new family of four?

**Keith:**

Wow. Well, probably the first thing that they need to work on, and this is something that they'll have to work on, is a family budget, and probably working with that on maybe somebody not working for four months of that first year or something along those lines. So there will be probably a reduction in income initially and then a little more outflow. So it's kind of going both from both ways. So they have to be very careful on that. But you don't go out as much when you have a baby, so it sort of can take care of itself. They got a bright income future, so there's this going to be some kind of some pain for them or on the short end. But for the long term they'll be fine.

**Anne:**

We like to end these podcasts with some takeaways, key takeaways. Something that maybe one of our listeners might bring up to his or her friend at the water cooler. If you had a few things you could tell our audience, what would those takeaways be?

**Keith:**

Some of the takeaways would be get a handle on the costs and tons of online calculators to get an idea of that. Now, I'm sure they come with all sorts of caveats that every situation is unique, but they'll probably have some general boundaries, a range on this to this. And again, if it's international and overseas, they just need to be aware of the travel and the expense of the travel, and the time away from either other children or work or whatever. The financial impact goes past the adoption. And then they also need to review maybe their insurance benefits and to see if there's maybe some adoption assistance at their place for work. They usually vary 2,500, 10,000, somewhere in that range. They can do some research, they can plan, they can



prepare, but no two adoptions are the same. They'll all be unique. They'll have different twists and turns, but they'll be the most wonderful thing you've ever done.

**Anne:**

Thanks again, Keith McCord, Wealth Advisor for Regions Private Wealth Management. Thanks for sharing your story and your experience.

**Keith:**

You're welcome.

**Anne:**

And thank you for listening. Every episode of Regions Wealth Podcast tackles a different financial challenge with the help of a Regions expert. We hope you'll join us again and share this podcast with a friend. See you next time.

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