

Finances and Financing an Adoption: Important Considerations and Resources

Today's post is taken from [Adopting: Sound Choices, Strong Families](#) by Pat Johnston. This book is the 2009 Benjamin Franklin gold medal winner as the best new book in the self-help genre.



In Chapter 8, The Plan, Revisited, Pat writes about financing an adoption,

Evaluating Your Own Financial Situation

Before you even consider how you are going to adopt, you must determine that you can afford to parent a child. According to the U.S. Department of Agriculture, the average *annual* cost of raising a 0-2-year-old ranged from \$7,580 to \$15,760. The average *annual* costs for raising 6-8-year-olds, ranged from \$7,780 to \$15,790. Parents of 15-17-year-olds were spending on average \$8,540 to \$15,970. Financial figures such as this help to explain why it is so important to get rid of as much debt as you possibly can and to begin to adjust your lifestyle budgeting before a child arrives.

You will be sharing rather intimate financial information as part of a homestudy. Parenting is an expensive proposition. Agencies and birthparents, if involved, want to be assured that you understand this and have planned for it. Some agencies still require that one parent be able to stay home for at least half a year, and most of a year if your child is not going to be arriving as a newborn. This is a reasonable and fully child-centered requirement.

Exploring Financial Options and Assistance

The National Endowment for Financial Education worked with several organizations within the adoption community to develop a resource on financing an adoption. The title is [How to Make an Adoption an Affordable Option](#). This is a wonderful place to start.

Additionally, no matter what approach to adoption you are initially leaning toward, you should learn about adoption subsidies available to those adopting waiting children, about federal tax credits and deductions of adoption expenses (capped on a sliding scale based upon family income, but open to those adopting through any route), and about corporate adoption benefits offered by increasing numbers of employers.

1 Arleta James, PCC, ABC of Ohio, 440-230-1960, arletajames@gmail.com, www.arletajames.com, *Welcoming a Brother or Sister by Adoption: From Navigating New Relationships to Building a Loving Family* (Jessica-Kinsley Publishers - <http://www.jkp.com/>, 2013)

Online places for exploring these resources include

- [Child Welfare Information Gateway](#)
- Courses on Adoption Subsidies and Financial Assistance from the [National Adoption Center](#)
- The [Casey National Center for Family Support](#) makes available a federal tax benefits booklet that highlights deductions, exemptions, and tax credits.
- The [Dave Thomas Foundation for Adoption](#) offers information you can share with your employer to encourage the company to offer employee adoption benefits if they do not already do so.

Many would-be adopters are unaware of some readily available financial aid and incentives to most families.

- **Dependency Exemptions.** It may be obvious to many, but it is surprising how many non-parents forget to consider that adoptive parents are eligible for federal and state dependency tax exemption for their adopted children just like parents by birth.
- **Tax Credits** available at the federal level to adopters of infants and older children in both intercountry and domestic adoptions. Because specific limits on the credit and eligible income limits may change from year to year, consult a tax advisor before filing.
- **Federal.** The federal adoption tax credit is more beneficial than a simple tax deduction. Under the Hope for Children Act “qualifying adoption expenses” up to almost \$11,000 (with gross income under \$170, 820) may be deducted from overall federal tax liability. Qualified adoption expenses must be legal, and may include adoption fees, attorney fees, birth parent expenses and travel costs. (This tax credit is in jeopardy. Please visit www.nacac.org for more information about this tax credit.)
- **State.** Some states offer a tax credit or deduction in addition to the federal tax credit.
- **Employee Benefits.** At least 25% of corporations in the United States offer some form of adoption benefits to their employees. Typical benefits may include reimbursements of adoption expenses, paid leave in addition to vacation time, sick leave, or personal days; and unpaid leave. Visit your human resources department today!
- **Subsidies.** Families who domestically adopt children with special medical, emotional, and/or developmental needs; older children; or members of a sibling group may find that their children are eligible for an adoption subsidy from federal and state governments. Subsidies are used to cover special education, health and therapeutic needs of children adopted with special needs. Check with your state government or social worker for details, and don’t accept a first “no” answer. Subsidies are for the benefit of children, and they are not based on family financial need, but on the needs of the child, so it can be important to make yourself a strong advocate for your child.
- **Military Subsidies.** After an adoption has been finalized, active-duty military personnel can receive up to \$2,000 reimbursement per child for many adoption-related expenses up to a maximum of \$5,000 in one year.
- **Credit Cards.** Some adoption service providers accept major credit cards as payment. Not only does this provide a way for financing large expenses over time, but when tied to any kind of “rewards” program (airline miles, store discounts, etc.) it can also provide the family with an offsetting “benefit” to charge card fees.
- **Loans** are a frequent form of adoption financing. Some financial institutions have specific loan programs for adoption, and virtually all provide home equity loans for those who own their homes. Think about whether you have a close friend or family member who might be willing to extend a loan for this purpose (be sure to formalize a written agreement). Additionally, you might explore loans against life insurance policies and 401Ks (be careful not to deplete resources which can become very important later.)

- **Health Insurance.** Will your plan cover any pre-adoptive expenses such as childbirth? Most do not, but some plans do in some states. All private and group insurance plans are required, by federal law, to cover even pre-existing conditions from the time a child becomes your legal responsibility.
- **Fundraising.** Internet discussion groups frequently include threads about adoption financing. From these discussions I've seen numerous creative ideas—selling fundraising items such as candy, popcorn, magazine subscriptions; garage sales, online auctions like eBay; participation in walks, runs, bikathons to which the pledges go to the prospective adoptive family; asking for money for a shower in lieu of gifts, or seeking financial help from the members of your religious congregation.
- **Shrinking Your Lifestyle.** Live below your means rather than above them. Subscribe to or participate in frugal living periodicals and websites such as [Frugal Families](#), [Living on a Dime](#) or [Frugal Mom](#).

Gathering this information will give you a starting point for asking yourselves some hard financial questions about your financial budget for adoption, as well as for parenting.