

# 18 months an option for mat leave, but be prepared for lower weekly benefits <sup>[1]</sup>

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## EXCERPTS

When Ottawa announced changes to EI parental leave benefits last year that will allow new mothers to receive benefits for 18 months, Heather Wilson was excited about the possibility of spending more time with her baby.

But after digging into the changes, Wilson and her husband are probably going to stick with the 12-month option.

That's in large part due to the fact that when Ottawa announced the change, it didn't increase the amount of money for the program. So, while you may receive paternity benefits for a longer period, the weekly amount will be less.

The reduction means that new parents looking to make up the difference over the extended period with savings may want to have \$10,000 or more put aside, on top of their other savings in preparation for the new baby.

Calgary-based Wilson says her EI maternity and paternity leave benefits, which max out at \$547 per week before taxes, are already going to be a drop from her regular paycheck, so the further reduction to take 18 months may not work for her family's budget.

"The time and concept is really nice, that 18 months, but for us, we're not sure financially it makes a lot of sense," said Wilson, who is due with her first child in May.

She noted that she and her husband may already face challenges in coming up with their regular contributions to their tax-free savings accounts and RRSP savings with the reduction in her income.

Amy Dietz-Graham, a portfolio manager for BMO Nesbitt Burns, said having a baby can be a huge expense and choosing the longer option means being able to budget for the longer time away from work.

"If you can plan ahead and start saving ahead of time if you do want to take that extra time, the better off you'll be," said Dietz-Graham, who is also due with her first child at the beginning of March.

Federal EI maternity and parental benefits provide money for new parents through employment insurance benefits, while Quebec runs its own Quebec Parental Insurance Program, which has not changed.

Federal EI maternity benefits for biological mothers, including surrogate mothers, run for 15 weeks and pay a weekly benefit of 55 per cent of the claimant's average weekly insurable earnings up to a maximum amount of \$547 per week.

After that, EI parental benefits, which may be shared between parents, kick in with two options: a standard choice of up to 35 weeks or an extended version that spreads the same payment out over a maximum of 61 weeks. The extended option reduces the payment to 33 per cent of the claimant's average weekly insurable earnings up to a maximum of \$328, though that amount may be increased if you are eligible to receive the family supplement for low-income families.

EI benefits are also taxable, so federal and provincial or territorial taxes will be deducted from your benefits too, reducing the amount that ultimately ends up in your pocket.

Some new parents also receive parental leave top-up payments from their employers, but they will likely not cover the entire period.

Dietz-Graham said you may also want to budget for additional expenses such as making a will if you don't have one, or a life insurance policy to take care of your child if something should happen to you.

She adds that reducing RRSP contributions in a year that you are on leave may also be something to consider, as you may get bigger tax savings by making them in a year when your income is higher.

Those who do opt to take the extra time could save on the spending side of the equation, Dietz-Graham noted.

You won't have the costs of going to work like your daily coffee, lunches out and transit or parking. And, by taking the extra six months it means you won't have daycare costs for that time, which could add up to thousands of dollars.

-reprinted from The Telegram

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