

How to Make **Adoption** an Affordable Option



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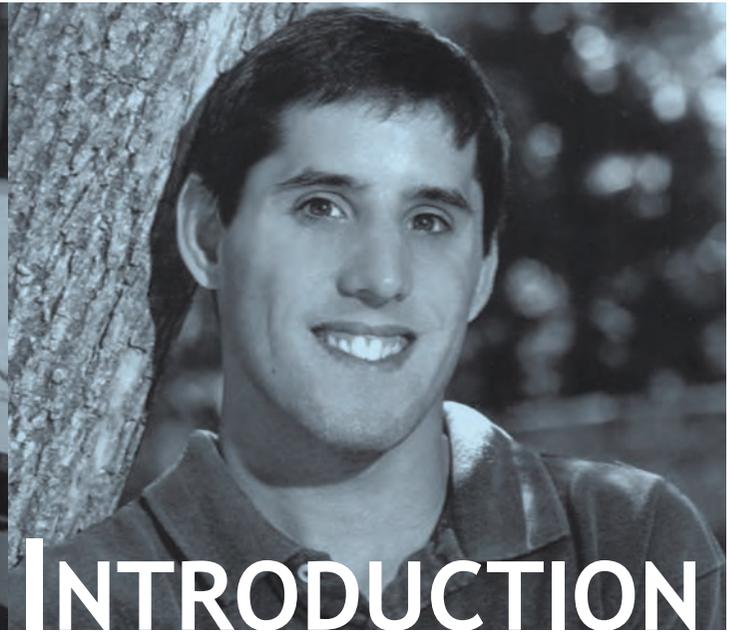
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# INTRODUCTION

Many prospective adoptive parents are highly motivated to adopt a child, but are concerned that the process may be too complex and expensive. Other parents, who are in the midst of the adoption process, are surprised by the various expenses. The National Endowment for Financial Education® (NEFE®), the Adoption Exchange, and the Dave Thomas Foundation for Adoption® are providing this booklet, *How to Make Adoption an Affordable Option*, to help parents prepare for all the financial costs of adopting and raising a child.

This booklet covers expenses common to most adoptions, expenses unique to the various types of adoption, financial assistance for adoption and post-adoption expenses, and tax breaks available to adoptive parents.

Prospective adoptive families need not be deterred by myths about the expense of adoption, but they also should not allow emotions to blind them to the real costs. With careful financial planning, adoption can be an affordable option.

## How to Use this Booklet

*How to Make Adoption an Affordable Option* is flexible enough for both prospective adoptive parents who are new to the process and those who already have done their research but need specific information about finances. Parents can read this booklet from start to finish or use the table of contents to find the specific information they need.

- **Web references:** This book frequently refers to reliable resources on the Internet. To find the information referenced in this booklet, visit the cited website and enter the publication's name in the search field.
- **Child Welfare Information Gateway:** The U.S. Department of Health and Human Services' Administration of Children and Families department provides a great deal of reliable information on its Child Welfare Information Gateway website, [www.childwelfare.gov](http://www.childwelfare.gov). As with other references, enter the publication or page name in the search field.

- **Adoptive parents and adoptive families:** The terms “adoptive parents” and “adoptive families” are used to describe any parties interested in adoption, from single parents to married couples to families and everything in between.

For more information on all aspects of adoption, visit the Dave Thomas Foundation for Adoption website at [www.davethomasfoundation.org](http://www.davethomasfoundation.org) and download a copy of the free *Step-by-Step Guide to Adoption*. Also visit the The Adoption Exchange website at [www.adoptex.org](http://www.adoptex.org).

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## Adoption Terminology

To understand the adoption process and all of its direct and related expenses, it helps to understand adoption terminology.

### Public Adoption Agency

A public adoption agency is a state or county agency responsible for placing waiting children in foster care with adoptive parents. The agencies often have names such as department of social services, department of human services, or department of children and family services.

### Private Adoption Agency

A private adoption agency is a nonprofit or for-profit agency licensed by the state. Private agencies tend to specialize in areas such as infant adoptions, domestic adoptions, or adoptions of children born outside the United States. Some work with public agencies to place children who are in foster care, and they receive government contracts to do so. Other private adoption agencies rely on fees and donations rather than government funding.

## Adoption Exchange

An adoption exchange provides connections between prospective adoptive parents and adoption agencies that place children. Many states have a nonprofit, state-operated exchange that maintains a list of adoptable children waiting in the foster care system, along with a list of adoptive parents who have completed an adoption home study with a state agency. Many states and agencies have websites showing photos of the children waiting to be adopted.

Regional, national, and intercountry exchanges are nonprofit organizations that serve waiting children and adoptive parents in more than one state. These agencies often showcase photos of waiting children in print and online, and they provide basic adoption information and related services. Some exchanges also list potential adoptive parents who have completed home studies and are waiting to adopt.

### Waiting Child, Child with Special Needs

Some states use the terms “waiting child” and “child with special needs” interchangeably in relation to a child’s eligibility for federal financial assistance. In general, however, the terms are defined as follows:

- **Waiting child:** A child who is in foster care and waiting for adoption is referred to as a waiting child. These children come into the foster care system because of their parents’ actions; they may have been abused, neglected, or abandoned. The majority of waiting children are school age, and some are brothers and sisters who need to be adopted together. Most children adopted through state or county adoption agencies are considered waiting children.

## Myths About Adoption

When people express interest in adoption, they may encounter a variety of reactions, such as “Are you sure you can afford that?” or “But you have to be married to adopt!” Many reactions to the idea of adoption are based on myths.

### Myth 1: All Adoptions Are Expensive

Adoption costs vary widely, depending on the type of adoption. According to the Child Welfare Information Gateway, the range of adoption costs includes:

- **Waiting child:** no cost to \$2,500
- **Private adoption agency:** \$5,000 to \$40,000
- **Independent adoption:** \$8,000 to \$40,000
- **Intercountry adoption:** \$15,000 to \$30,000

Many public agencies provide adoption subsidies for children who are waiting for a family, and some private agencies may adjust fees based on family income or other criteria. For more information about costs and ways to defray them, see the *Costs of Adopting* fact sheet at [www.childwelfare.gov](http://www.childwelfare.gov).

### Myth 2: Adoptive Families Must Be Rich

Many people with average incomes and modest homes adopt children every year. Adoption professionals who make decisions about placing children consider emotional maturity and financial stability more than actual income.

### Myth 3: Adoptive Families Must Own Their Own Homes

Renters and homeowners can adopt as long as the home has adequate space for the child.

- **Child with special needs:** The Internal Revenue Service defines a child with special needs as a minor who should not be returned to his or her parents’ home and whose adoption is unlikely unless assistance is provided. See the *Special Needs Adoption: What Does It Mean* fact sheet at [www.childwelfare.gov](http://www.childwelfare.gov) for more information about definitions of special needs and cost specifications.

## Foster-to-Adopt Home

A foster-to-adopt home is approved for both foster care and adoption. Sometimes children who are removed from their homes because of abuse or neglect are placed with adoption-minded individuals, couples, and families in foster-to-adopt homes. The children are not legally available for adoption at the time of placement, so there is a chance the child will be reunited with his or her family.

Depending on the reason the child was removed from the home, the child may return home in a process known as “reunification.” Reunification requires the parent(s) to resolve the issues involved in the removal and prove that they can adequately care for the child and ensure his or her safety. If the issues remain unresolved and the parents’ rights are legally terminated, the child becomes available for adoption. With foster-to-adopt homes, the transition to a new permanent home can be made more seamlessly.

## Open, Semi-Open, and Closed Adoption

Open adoption, semi-open adoption, and closed adoption are generally defined as follows. Note that individual agencies may have different interpretations of these terms.

- **Open adoption:** An open adoption is one in which last names, addresses, and telephone numbers typically are exchanged. In addition, the birth parent(s), the adoptive family, and in some cases the child may visit on a regular basis. In a fully open adoption, the birth parent(s) and the adoptive family know each other and have ongoing communications about the child.
- **Semi-open adoption:** In a semi-open adoption, the focus is on privacy. As a result, communication is more limited. Last names, addresses, and telephone numbers usually are not exchanged; information sharing is less frequent; and all communication takes place through a third party, usually the adoption agency.
- **Closed adoption:** In a closed adoption, the focus is on confidentiality. No identifying information about the birth family or the adoptive family is shared and the families do not communicate with each other. The adoptive family usually receives nonidentifying information about the child and the birth family before placement. After adoption, the records are sealed permanently. Typically the records remain sealed unless a court order is obtained or, in some states, until the adopted child reaches adulthood. Most adoptions of waiting children are closed adoptions. Foster parents are encouraged to work with birth parents so there may be a relationship between the birth family and foster/adoptive family that continues even after the adoption.

See the Considering Openness in Adoption section at [www.childwelfare.gov](http://www.childwelfare.gov) for more information.

## Independent Adoption

An independent adoption is arranged through a third party, such as a lawyer or doctor. The third party may find a birth mother who plans to place her child for adoption or help the birth mother locate a family interested in adopting her child. Note that independent adoptions are legal in most, but not all, states. To find out if your state allows independent adoptions, visit [www.childwelfare.gov](http://www.childwelfare.gov) and see the Child Welfare Information Gateway's state statute online booklet, *Who May Adopt, Be Adopted, or Place a Child for Adoption*. Or, search the state statutes database to see how your state addresses nonagency placement in statute.

## Intercountry Adoption

An intercountry adoption involves a child born in (or a naturalized citizen of) a country other than the United States. See the Adopting Children from Another Country section at [www.childwelfare.gov](http://www.childwelfare.gov) for more information.

## Kinship or Relative Adoption

A kinship or relative adoption is one in which the child is adopted by someone related by family ties or prior relationship. The kin or relative may be a blood relative, in-law, stepparent, or other person with a close relationship to the child. (The definition of "relative" varies by state law.) About 30 percent of children adopted from foster care are adopted by relatives according to the Adoption and Foster Care Analysis and Reporting System (AFCARS), although some relatives choose to be the child's guardian to preserve the child's legal ties to one or both parents. There are many benefits to being adopted by relatives, such as increased stability and safety for the child as well as the ability to maintain family connections and cultural traditions.

#### **Myth 4: Adoptive Parents Must Be Married and Without Children**

Single people, couples without children, and families who already have children by birth or adoption can adopt. In some states, single lesbians and gay men can adopt, and a few states allow same-sex couples to adopt. However, many private agencies and foreign countries have specific requirements for the marital status, sexual orientation, age, weight, income, number of children, and religion of people who adopt their children. See *Who May Adopt, Be Adopted, or Place a Child for Adoption?* at [www.childwelfare.gov](http://www.childwelfare.gov) for more information.

#### **Myth 5: Adoptive Families Must Pay for Everything**

A variety of financial resources may be available to help families cover some of the costs of adoption, including sliding-scale fees from agencies, federal and state subsidies for the adoption and ongoing care of waiting children, federal tax credits, and employer benefits that help with qualified expenses.

#### **Myth 6: Legal Fees Are High**

Usually, legal fees are a small portion of the adoption costs, with the exception of independent adoptions handled by a lawyer. The legal fees may be included in an agency's fees or they may be an additional cost to the adopting family. Usually, there are no legal fees for families adopting children from foster care as these fees typically are covered by nonrecurring adoption subsidies.

See the Kinship Care and Kinship Adoption section at [www.childwelfare.gov](http://www.childwelfare.gov) for information on kinship adoption from foster care as well as information on adopting a relative through intercountry adoption.

For stepparent adoption, states often streamline the adoption process. For more information, see Stepparent Adoption at [www.childwelfare.gov](http://www.childwelfare.gov).

## **Guardianship**

A relative may become a legal guardian for a child rather than completing an adoption. Unlike adoption, guardianship does not sever the parents' rights and the caregiver does not become the legal parent. The parents can petition the court to end the guardianship at any time.

Guardians generally are able to access services on behalf of the child. Some states offer guardians monthly subsidies to help with the expense of caring for the child until age 18 or 21. For details, see Subsidized Guardianship at [www.childwelfare.gov](http://www.childwelfare.gov).

## **Home Study, Home Adoption Study**

A home study, sometimes called a home adoption study, prepares and evaluates the prospective adoptive parents and helps match the family with a child. For more information, see *The Adoption Home Study Process* fact sheet at [www.childwelfare.gov](http://www.childwelfare.gov).

## Pre-Placement

The pre-placement period is the time between the completion of the home study and when the child comes to live with the adoptive family.

## Placement

Placement occurs when a child moves in with the family who plans to adopt him or her.

## Post-Placement

Post-placement is the time after the child has been placed in the adoptive home and before finalization. The social worker conducting post-placement supervision will visit the home several times during the six to 12 months between placement and finalization. During this time, the social worker will provide support for the adoptive parents and child and help obtain any necessary professional assistance. A certain number of visits are required by the courts before the adoption can be finalized.

## Finalization

Finalization is when the court takes the necessary action to make the child a legal member of the adoptive family. Usually, the whole family goes to court with an adoption worker or lawyer.

## Post-Adoption

Post-adoption is not a specific period of time—instead, it is the active, rewarding, and challenging process of living as a family after the adoption has been legally finalized.



# ADOPTION PROCESS

The adoption process varies significantly depending on the type of adoption. In most cases prospective parents will request help from a public or private adoption agency, a lawyer, or another intermediary. Many different expenses, federal laws, state laws, and county regulations may be involved, creating a possibly confusing and complex experience. An overview of the process, which is provided here, can help prospective adoptive parents with decision making. For more details, download the *Step-by-Step Guide to Adoption* available on the Dave Thomas Foundation for Adoption website at [www.davethomasfoundation.org](http://www.davethomasfoundation.org). Also see the State Laws on Adoption section at [www.childwelfare.gov](http://www.childwelfare.gov).

# General Steps

The actual steps involved in an adoption may vary depending on the type of adoption. In general, adoptive parents take most of the following steps:

1. Learn about adoption by researching on the Internet, talking to adoptive parents, reading publications, and contacting an adoptive parent group that welcomes prospective adoptive individuals and couples.

**TIP** For intercountry adoptions, prospective parents are encouraged to research medical and psychological issues that are common in international adoptees.

2. Attend adoption information classes.
3. Consider their own feelings about adoption and the preferred type of adoption to pursue—for example, waiting child, foster-to-adopt, intercountry, agency, or independent adoption.
4. Consider preferences regarding an open, semi-open, or closed adoption.

**TIP** In general, waiting children adoptions (children adopted from foster care) are considered closed adoptions.

5. Interview several agencies or lawyers experienced in the preferred type of adoption. Attend orientation meetings and then select an agency or lawyer.
6. Have a home study completed. (See the next section, The Home Study.)
7. Start the process of finding a child for the family based on recommendations from an agency, licensed social worker, or lawyer.

**TIP** While waiting for a child, continue learning about adoption.

8. Prepare for the child to come home.
  - **Open adoption:** For an open infant adoption, preparation may include visits with the birth parent(s).
  - **Waiting child:** For a waiting child adoption, pre-placement visits with the child will be held at a mutually agreed-upon location and time.
  - **Intercountry:** Adopting a child from another country may require travel to the child's country to finalize the adoption.
9. Bring the child home.
10. Begin the adjustment period as a new family.
11. Finalize the adoption.
12. Continue the lifelong adoption experience.

## The Home Study

Home studies are not standardized and may vary from state to state and agency to agency. The type of adoption likely will influence who performs the home study; it is important to choose the appropriate adoption agency or licensed social worker to perform the home study so it will be accepted by the court. Note that the home study process may be streamlined, or not required, for relative/kinship adoptions and stepparent adoptions. Check with the state or county department of social services for guidance.

Expect some or all of the following to be part of the home study process:

- Interviews with the prospective adoptive applicant(s) individually and together (if a couple)
- Group meetings involving several applicant families (many agencies do this)
- Autobiographies written by each prospective adoptive parent
- A home visit
- Medical reports from the prospective adoptive applicant(s)' physicians
- References from friends and associates
- Proof of employment
- Investigations into any criminal record, including the state's child abuse registry, and fingerprinting (see the Adam Walsh Child Protection and Safety Act of 2006 section at [www.childwelfare.gov](http://www.childwelfare.gov) for details)
- Participation in adoption information training classes
- Personal financial information
- Copies of tax returns
- Beliefs about discipline and the methods used
- For intercountry adoptions, families may need to prove to the U.S. government income and/or assets that put them at 125 percent or more above the poverty level for the size of family that includes the child to be adopted (for the most current information on this topic, see the U.S. Citizenship and Immigration Services' *HHS Poverty Guidelines for Affidavit of Support* form at [www.uscis.gov](http://www.uscis.gov))

In the course of the home study process, prospective adoptive parents will have the opportunity to talk with the social worker about the following topics:

- Why they want to adopt
- Their readiness to parent
- The family's values
- Their hopes and expectations for the adoptive child
- Their family's strengths and weaknesses
- How the family handles crises and change
- Where they will get support or professional help, if needed

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## Tips for Selecting an Adoption Agency or Lawyer

Each entity in the adoption process sets its own fees for adoption services. As of this writing, there is no central rating service that monitors and/or evaluates adoption agencies and services. Follow these tips to help ensure a smooth and affordable process:

- Compare adoption fees among adoption agencies, adoption lawyers, and other adoption arrangers (intermediaries).
- Read the How to Assess the Reputation of Licensed, Private Adoption Agencies section at [www.childwelfare.gov](http://www.childwelfare.gov).

- Ask the state or county social services department for the name of the government entity that oversees adoption to verify the reputation of the adoption agency, lawyer, or intermediary.
- Talk to parents who have adopted and members of adoptive parent support groups to get recommendations (or warnings) about the adoption entities in the area.
- Clarify upfront and in writing exactly what the stated adoption fee will cover—and what it will not cover throughout the adoption process. Some agencies, lawyers, and intermediaries may quote a certain fee, but later add other charges such as post-placement fees and court costs.
- Ask about payment schedules. Do not pay 100 percent of the adoption costs in advance. Payments should be made as each step of the process is completed.
- Be wary of agencies, lawyers, and intermediaries that charge high fees, want a retainer paid in full upon application without any provisions for a refund, guarantee a child, or want disclaimers signed before meetings or searching for a child.

## How Long Will It Take?

All prospective adoptive parents usually feel they are “waiting parents.” Adoption can be a long, slow process. During the beginning stages, it can seem a bit overwhelming and some adoptive parents begin to wonder if the process is worth it. It is important for prospective parents to try to be patient and remember that they can have a positive effect on the life of a child.

The time it takes to bring a child home varies greatly depending on the type of adoption and any unforeseeable circumstances that may arise in day-to-day activities. Here are some possible timetables:

- **Healthy infant:** Several months up to seven years
- **Waiting child:** Four months up to 18 months
- **Intercountry:** Six months up to 24 months

Finalizing an adoption usually occurs six months to one year after placement.



Adoption expenses vary depending on the type of adoption preferred and the agency, lawyer, or intermediary selected. Most adoptions, however, involve a combination of fees, home study expenses, legal costs, and miscellaneous expenses (such as travel and paperwork). The expenses common to most adoptions are listed here; for additional possible expenses, see Expenses Related to Specific Adoption Types on page 18. Keep in mind that many financial resources are available to help with these expenses as discussed in Financial Resources for Adoption Expenses starting on page 27.

## Adoption Fees

Adoption fees encompass various costs of working with a public adoption agency, private adoption agency, lawyer, or other intermediary. Generally, adoption fees include the costs of a home study, pre-adoptive counseling, identifying a child for the family, placement fees, and post-placement visits.

- **Waiting child:** Adoptions for children waiting in foster care may involve only minimal costs and often are free of charge.
- **Independent adoption:** For an independent adoption, the birth mother's living and delivery expenses may be included or may be separate expenses.
- **Intercountry:** For an intercountry adoption, the adoption fee may or may not include the costs of visas, dossier preparation, document translation, and other expenses unique to adopting children from other countries.

Fees charged by private adoption agencies and intermediaries can range from \$5,000 to as high as \$40,000, and possibly more. Be sure to understand which services in the adoption process are included and which are separate expenses. For more information, see the *Costs of Adopting* fact sheet at [www.childwelfare.gov](http://www.childwelfare.gov).

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## Home Study Expenses

The cost of the home study usually is included in the adoption fees, but it can be a separate cost in some cases. The home study fee depends on the type of adoption.

- Many agencies assisting in adoptions of children in foster care may not charge a fee for the study. If these agencies do charge a fee, often it is around \$300 to \$500. After the adoption is finalized, the fee often is reimbursed.
- If adoptive parents live overseas, are pursuing an independent adoption, or have an independent professional (usually a licensed social worker in private practice) perform the home study, the fee could range from \$1,000 to \$3,000 for the home study.

The home study fee may include other services, such as an application fee and pre-placement services. Be sure to understand what the fee covers and what it does not cover, and ask for this information in writing.

## Parenting or Adoption Information Classes

Adoptive parents may be required to take parenting or adoption information classes as part of the home study process. A registration fee to cover the costs of materials may be charged as part of the adoption process. Even if the classes are not mandatory, they may provide helpful information.

## Home Study Updates

Home studies are considered current for a limited time period, often six to 18 months. Many states require home studies to be updated after a year. Depending on the type of adoption, it may take years to adopt a child. Therefore, the home study may need to be updated multiple times during the wait. Ask the agency that performs the home study about the costs for updating it.

The home study also needs to be updated for any subsequent adoptions, particularly if several years have passed or if the adoptive parents use a different agency, lawyer, or intermediary.

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## Legal and Court Costs

The majority of adoptions involve legal and court costs for finalizing the adoption. In some cases adoptive parents may face costs for terminating the biological parents' rights or even for contending with a legal challenge to the adoption.

### Finalizing the Adoption

Adoptions are finalized as follows:

- **Domestic adoption:** All domestic adoptions must be finalized in a state court.
- **American Indian child adoptions:** When adopting an American Indian child, the tribe needs to be notified as required by the Indian Child Welfare Act. In some cases the adoption must be finalized in an Indian tribal court because reservations and pueblos are sovereign nations. In addition, specific tribal laws and procedures will need to be followed. For details, see the Indian Child Welfare Act section at [www.childwelfare.gov](http://www.childwelfare.gov) and the Resources section on the National Indian Child Welfare Association's website at [www.nicwa.org](http://www.nicwa.org).
- **Intercountry:** Most intercountry adoptions are finalized in the child's country of origin. However, in some cases the intercountry adoption must be finalized in the United States. For an intercountry adoption, under the Child

Citizenship Act, naturalization is now automatic at the time of finalization. Even when the adoption is finalized in the birth country, many families choose to re-adopt the child in the United States so they can share that important day with family and friends, in addition to getting a birth certificate in English. The intercountry adoption agency should be able to specify where the finalization needs to occur during this process. For more information, see *The Child Citizenship Act of 2000* fact sheet on the U.S. Citizenship and Immigration Services' website at [www.uscis.gov](http://www.uscis.gov).

### Terminating the Biological Parents' Rights

For a child to be legally adopted, the biological parents must voluntarily and legally relinquish their parental rights, or the courts must terminate their rights involuntarily. When a child is adopted the court creates a new legal relationship between the child and the adoptive parents.

- The adoptive parents are not responsible for the court costs related to involuntary termination. See the Grounds for Involuntary Termination of Parental Rights section at [www.childwelfare.gov](http://www.childwelfare.gov) for more information.
- In some intercountry and independent adoptions the adoptive parents may have to pay the legal costs of terminating the rights of the biological parents.

It is important to be sure that the parental rights of *both* biological parents have been relinquished or terminated *before* adopting a child. Often, the adoption cases that receive media attention result from parental rights that were not correctly terminated during the process.

## Legal Challenges to Adoption

Legal challenges to adoption are rare. If an adoptive placement is challenged, however, the legal expenses for the adoptive family can be extremely high. Adoptive parents can take financial steps, such as establishing an emergency fund, to reduce the financial impact of a legal challenge to the adoption. Adoptive parents should carefully proceed through the steps of the adoption process to reduce the likelihood of a legal challenge in the first place. The safest way to avoid expensive court battles is to be certain, in advance, that the adopted child is legally free to be adopted—meaning that the parental rights of both biological parents have been relinquished or terminated in or by the courts.

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## Miscellaneous Expenses

Throughout the adoption process various out-of-pocket expenses may arise. Although these costs usually are minor, it's best to be prepared for them. For example, consider the costs related to the following possible activities:

- Traveling to and from the office of the adoption agency, lawyer, or intermediary
- Completing and photocopying records and other paperwork
- Taking time off work for interviews and home studies
- Arranging for child care for any children in the household

- Preparing for international travel, such as getting immunizations and passports
- Paying for travel, accommodations, and meals for possible long stays in other countries for intercountry adoption

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## Transfer Costs

Sometimes, adoptive parents must move as a result of a job transfer or military reassignment before completing the adoption process. In the best situations the adoptions can be completed if the initial adoption agency is willing to collaborate with the adoption agency in the new location. Otherwise, adoptive parents may need to start the adoption process over. In either case new adoption expenses may be incurred. Adoption fees already paid to the original adoption agency often will not be refundable because that work already has been completed. If a move appears likely during the adoption process, clarify this in advance with the agency or adoption facilitator.



# ADOPTION TYPES

Many adoption expenses, such as court costs, are common to nearly all adoptions. (Those expenses were discussed in the previous section, Adoption Expenses.) Waiting child, independent, and intercountry adoptions, however, have additional possible expenses. Prospective adoptive parents can learn about these expenses in this section. In many cases financial resources are available to help with these expenses as discussed in the Financial Resources for Adoption Expenses section starting on page 27.

# Waiting Child Adoption

Waiting children are defined as children who are legally available for adoption and whose parents have had their parental rights terminated. Although adopting a child waiting in foster care may involve little or no direct expense, some other expenses are unique to this type of adoption.

## Expenses Related to Finding a Child

Many children are waiting for good homes. To find a waiting child an adoptive family might:

- Work with a social worker at a public agency to find a child in foster care who might fit into the family.
- Check out local waiting children featured on television and in newspapers.
- Review photos and listings of waiting children on adoption exchange and adoption agency websites.
- Register with an adoption exchange for its child-matching program. The exchange may charge a nominal amount for subscribing to its photo listing book to help with identifying a child. Some exchanges also offer waiting adoptive families the opportunity to be featured in the photo listing book for a nominal fee.

## Pre-Placement Visit Expenses

Prospective adoptive parents usually will visit a waiting child several times before bringing the child home. If the child lives

in another community, perhaps even in another state, parents probably will be expected to travel at least once, and often several times, to the child's place of residence. See the Adopting Children from Other States or Jurisdictions section at [www.childwelfare.gov](http://www.childwelfare.gov) for details. Although the child's agency may help with some of the costs for transportation, food, and lodging, parents probably will need to cover some of these costs.

## Counseling Expenses

Many waiting children have experienced severe emotional trauma from abuse, neglect, or abandonment. Most have suffered multiple losses of important people in their lives, such as birth parents, siblings, other relatives, and loving foster families. Therefore, individual and/or family counseling may be helpful—and even necessary. Some families will need only short-term counseling to help them get through the initial adjustment period, or sporadic counseling as the child goes through different developmental stages (particularly adolescence). Other adopted children and their families may need long-term counseling.

## Medical Expenses

Children with physical disabilities or medical conditions may require expensive treatment or ongoing care. Children who have experienced abuse and neglect in their birth families, as well as losses and disruptions in foster care, often have emotional and learning problems that respond to short- or long-term treatment. Although the family's health care plan likely will cover many of these costs, consider the co-pays and time involved. In addition, some medical costs may not be covered.

# Independent Adoption

An independent adoption involves a third-party intermediary, such as a lawyer or doctor, who helps a birth mother and family find each other. This type of adoption may involve agency, legal, birth, and adoption expenses.

## Expenses Related to Finding a Child

Independent adoptions often involve a search fee if the intermediary identifies a pregnant woman who is considering placing her infant for adoption. If not, adoptive families may need to locate a potential birth mother on their own, which can involve the cost of advertising through want ads on the Internet or in newspapers. (Confirm that such advertising is legal in the state.) Sometimes adoptive families add a separate phone line for responses from birth mothers. For more information, see the *Use of Advertising and Facilitators in Adoptive Placements* fact sheet at [www.childwelfare.gov](http://www.childwelfare.gov).

## Legal Expenses

A lawyer is required for completing an independent adoption. Here are some suggestions to help ensure reasonable legal fees:

1. Hire a lawyer who is experienced in handling adoptions. Do not select a lawyer just because he or she is a friend or because friends have used his or her services, unless they used this lawyer for an adoption and were satisfied with the lawyer's fees and services. Do not pay an inexperienced lawyer to learn on the job.

2. Have realistic expectations about the role of a lawyer. The lawyer should provide competent legal services, but should not be relied on to perform hand-holding through the adoption process. Other professionals and support groups can fulfill this need.
3. Ask the following questions:
  - What is the average cost of the adoptions you have handled?
  - Do you charge a flat fee or bill by the hour?
  - If a flat fee, what does that fee include? Home study? Matching with a birth mother? All legal fees? Counseling services? Advertising?
  - Are expenses, such as the preparation of letters and documents, photocopying, telephone calls, and postage, charged separately?
  - Is a retainer fee required upfront? If so, how much is it?
  - If the birth mother changes her mind, what happens to the retainer fee?
4. Come to all meetings prepared, with papers organized and a list of questions prepared in advance, since lawyers generally charge by the hour.

## Birth Expenses

In an independent adoption, the adoptive family generally is expected to pay for some or all of the prenatal and birth expenses of the birth mother who is planning to place her child for adoption. In some cases the adoptive family also may be expected to pay reasonable living expenses, including rent and clothing, for the birth mother.

## Adoption Insurance Expenses

Sometimes the birth mother or birth parents terminate the adoption process before it becomes final. If this happens, the adoptive parents may find themselves unable to recover their expenses. In some cases it may be possible to buy adoption insurance to protect against financial loss. Ask an adoption expert or insurance professional for information, or see the Adoption Insurance Expenses section at [www.adoption.com](http://www.adoption.com).

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## Intercountry Adoption

Intercountry adoptions involve children who were born in (or are a national or citizen of) a country other than the United States. An intercountry adoption requires numerous steps that may or may not be included in the agency's overall adoption fees. In addition, different countries have different adoption requirements that you can research. For more information, see the *Intercountry Adoptions from A–Z* booklet and the Learn about a Country section on the U.S. Department of State's Intercountry Adoption website at [www.adoption.state.gov](http://www.adoption.state.gov).

## Legal, Agency, and Child Care Expenses

Intercountry adoptions can get more expensive because prospective parents may be dealing with multiple lawyers and agencies, along with expenses related to caring for the child before and after adoption. These expenses may include:

- Foreign lawyer fees and court costs

- Multiple agency fees, which may result in higher costs\*
- Re-adopting the child in the United States (many adoption professionals advise re-adopting the child in the state where the family resides)
- “Donation” fees to help pay for the foreign country's institutionalized children
- Foster care for the child in the foreign country during the adoption process
- Treatment for medical problems, such as parasites or skin disorders, diagnosed after the adoptive child arrives at his or her new home

\*In most cases the adoption fee will cover the services provided by the agency doing the home study, as well as those of the agency providing placement services. All agencies, however, do not work with all countries, so the selected agency may collaborate with an agency that does work with the adoptive child's country.

## Paperwork Expenses

Intercountry adoptions may generate paperwork in addition to what is required by the home study. In most cases during the home study prospective adoptive parents will be fingerprinted and submit proof of U.S. citizenship, a marriage certificate and/or divorce papers, evidence of financial support, and a medical exam. An intercountry adoption also may require:

- Passports, visas, and immunizations
- Document translation services
- A birth certificate and Social Security number for the adopted child

## Travel Expenses

Travel expenses include planning for transportation, food, and lodging expenses for all members of the adoptive family who are traveling to the child's country. Some countries require adoptive parents to stay only a few days; others require that at least one of the adopting parents stay for up to eight weeks to be approved as an adoptive family by local officials. Consider buying travel insurance to account for unforeseen circumstances such as natural disasters.

## Potential Risks

Intercountry adoptions do present financial risks. A country's leaders may decide to close its doors to outside adoptions, or they may change the requirements for adoptive individuals or families. Adoptive parents who are in the middle of the adoption process could lose money and be unable to complete the adoption of a child they already have selected.

In most cases the adoption agency involved will be aware of impending changes in a particular country, usually before a specific child has been identified, and redirect prospective parents to another country. At that point they may face costs for additional paperwork required by the new country.

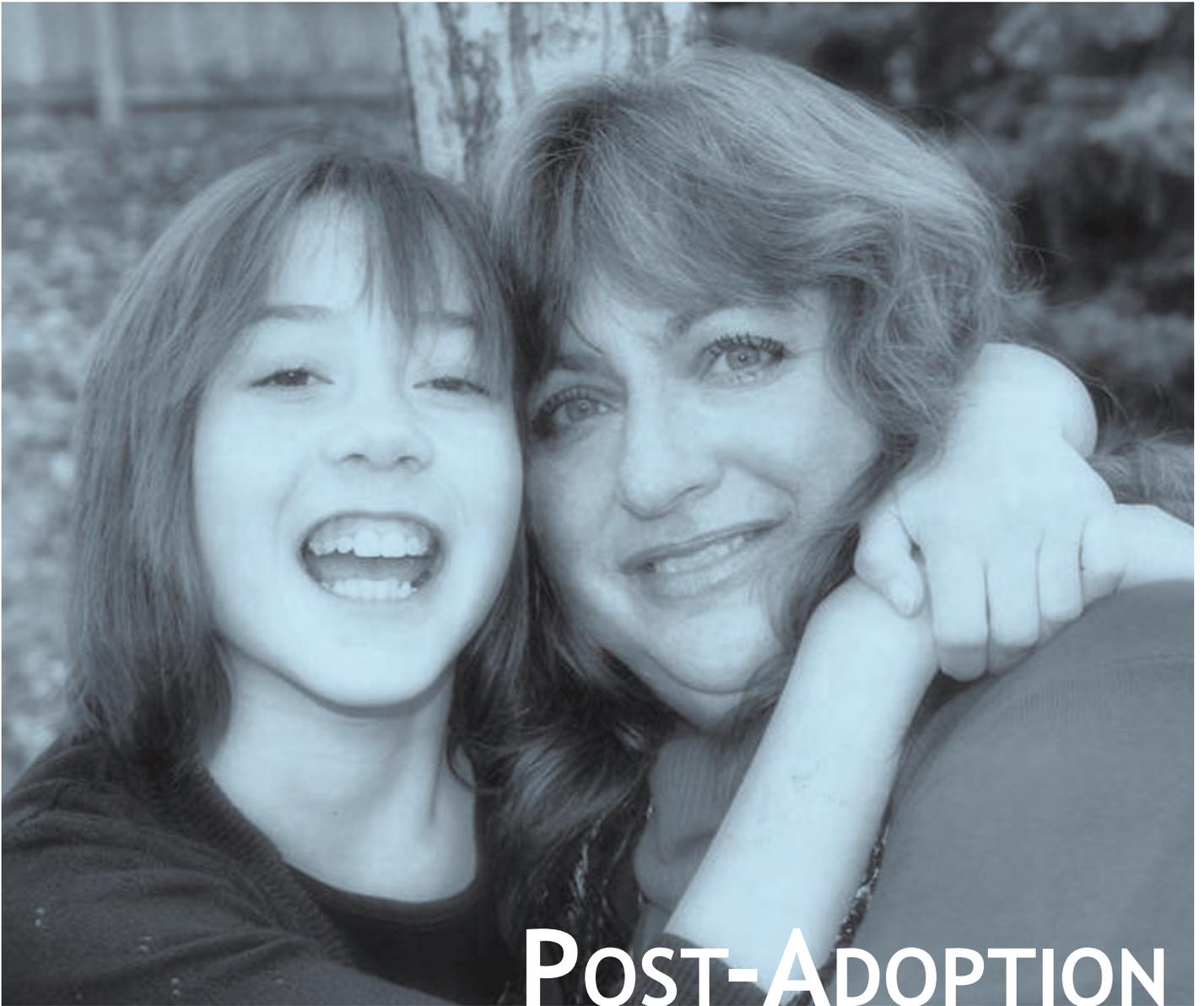
## Kinship/Relative Adoption

When both parents terminate their parental rights, a relative can adopt a child. (The definition of "relative" varies by state law.) The adoptive relative becomes the legal parent and can make decisions on behalf of the child. Adoption by relatives can provide a sense of continuity in a child's life since the family connection remains intact.

As with other types of adoption, relative/kinship adoptions present some issues that adoptive parents need to consider:

- **Home study:** Often, the pathway to adoption is streamlined for adoption by a relative. Depending on the state, the home study may be shortened or not required at all. (Note that the home study process often is streamlined for stepparent adoptions as well.)
- **Income:** What is the source of income and is it sufficient to raise the child?
- **Lifestyle:** How will the adoption affect the adoptive parents' work life and home life? Does the adoptive parent have the time to raise a child?
- **Longevity:** Can the adoptive parent manage to raise the child and still plan for a financially stable retirement?

For more details, see the Adoption by Family Type: Kinship/Relative Families section at [www.childwelfare.gov](http://www.childwelfare.gov).



# POST-ADOPTION EXPENSES

Most post-adoption expenses are the normal expenses of raising a child. For new parents, these costs can be something of a shock. The U.S. Department of Agriculture estimates that it costs the average, middle-income family \$234,900 to raise a child from birth through the age of 17, not including the cost of higher education (see the *Expenditures on Children by Families, 2011* report at [www.cnpp.usda.gov](http://www.cnpp.usda.gov)). There are some expenses, however, that are specific to raising adopted children. Assistance may be available for help with these expenses.

## Typical Child-Raising Expenses

To review the current costs of raising a child (whether biological or adopted), use the Center for Nutrition Policy and Promotion's Cost of Raising a Child Calculator on the U.S. Department of Agriculture website, [www.cnpp.usda.gov](http://www.cnpp.usda.gov). Typical child-raising expenses generally include the following:

- Food and clothing
- Furniture
- Childproofing the home
- Health care coverage and co-pays
- Medical expenses not covered by insurance
- Child care
- Books, games, and toys
- Computer, software, and computer games
- Cellphone and service
- Activities such as clubs, sports, camps, and music lessons
- Bicycles and other sports equipment
- Transportation
- Vacations
- Religious ceremonies
- Allowances
- Driving lessons
- Car and car insurance
- Counseling and tutoring
- College, technical school, or vocational school

## Preparing for a Child

When a new child comes home, he or she is likely to need furniture, bedding, towels, and clothing (particularly if the child is from a different climate). In addition, adoptive parents may want to give the child special welcome toys or gifts. Consider the following preparations for specific cases:

- **Infant:** When adopting an infant, first-time adoptive parents usually are excited about decorating the nursery.
- **Older child:** An older child joining a family may want to be involved in decorating his or her room. Adoptive parents probably will want to do some preliminary window shopping to narrow down the choices to fit their budget.
- **Child with physical disabilities:** When adopting a child with physical disabilities, make any necessary modifications to the home (such as adding a wheelchair ramp).
- **Siblings:** When adopting siblings, consider whether it's necessary to add a bedroom or bathroom to the house, move to a larger home or apartment, or buy a larger vehicle.

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## Personal Records and Health Care

Many new stages of life require paperwork, and completing a new adoption is no exception. The adoptive child will need a birth certificate, Social Security number, health history, and health care coverage as soon as possible.

## Birth Certificate

Once the adoption is finalized, adoptive parents should obtain a new birth certificate for the child. The birth certificate is likely to cost less than \$50.

## Social Security Number

The adoptive child will need a Social Security number so parents can claim a dependency exemption on their federal income tax return. Adoptive parents can obtain the child's new Social Security number before the adoption is complete. They may want to wait, however, and apply for a Social Security number using the child's new name.

## Immunization and Health History

Adoption agencies provide the adoptive child's medical history and immunization information. For an independent adoption this information may or may not be available, but it should be requested with the child's records.

## Health Care Coverage

Adoptive parents should add the new child to their health care plan as soon as he or she moves into the home. They do not have to wait until the adoption is legally finalized to add the child to the family's health care plan. In fact, health care coverage must be provided from placement, which is defined as the time an adoptive parent assumes full or partial financial responsibility for the child. Although adding a family member to a health care plan may increase the monthly premium, it's important for adoptive parents to remember that they are responsible for the child's health care as soon as the child joins the family. It's critical that the child be included in the family's health care coverage before the adoption is finalized.

Note that under federal law employer-provided health plans must treat an adopted child as a birth child. The child should be added to the family's plan within 30 days of adoption or placement for adoption. The adopted child may not be excluded from coverage because of pre-existing conditions as long as the child is added to the plan within 30 days of becoming eligible. For details, see the Protections for Newborns, Adopted Children, and New Parents section on the Department of Labor's website at [www.dol.gov](http://www.dol.gov).

Also read more about health plan coverage of adopted children at the Department of Health and Human Services website, [www.hhs.gov](http://www.hhs.gov), and search for the Affordable Care Act.

Most states have similar legislation that includes both individual and employer-provided health care coverage. Each state's department of insurance should be able to clarify state laws.

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## Services

Adoptive children may require special services such as tutoring, special education, and counseling. Waiting children in particular may need this type of support, but other adoptive children may need special services as well. Consider the possibility of facing these expenses while planning for adoption.

## Tutoring

Children living in a foster care setting often are as much as two grades behind their peers because of frequent moves before or while in foster care. In addition they may have experienced a general lack of attention to their education. Tutoring may be required so these children can catch up with their peers.

## Special Education

As with all children, adoptive children may have learning disabilities or challenges that call for special education classes, physical therapy, speech therapy, or occupational therapy. In most cases schools are required to provide any additional services the child may need as part of his or her education. However, a child may need more than the school can offer. If the parents' health care plan or adoption subsidy does not cover some of the costs, the responsibility for payment of these extra services may be theirs alone.

## Counseling

Waiting children may be moved frequently among foster homes or institutional settings, and they may have suffered emotional, physical, or sexual abuse. Because of these experiences, they may have a difficult time adjusting to a new home and new parents. The children and families may need counseling at different times throughout the childhood years to help them deal with the effects of traumatic experiences before the adoption.

Intercountry adoptees also may face tremendous cultural, language, and emotional challenges. Children who have spent their early years in orphanages may have special emotional problems. Even healthy infants have adjustment difficulties or other adoption-related issues that may, at some time, require counseling as a post-adoption process. See the

Impact of Institutionalization section at [www.childwelfare.gov](http://www.childwelfare.gov) for more information.

Adoptive parents and any children they already have also may face significant adjustment challenges. Thus, counseling could be an appropriate choice for all concerned. In some instances, there may be a need for crisis intervention or, infrequently, a child may need to be placed in a residential treatment center for intensive therapy.

Although health insurance, medical subsidies, and government agencies may underwrite some of these costs, counseling can be a high out-of-pocket expense for adoptive parents. See the Parenting After Adoption and Finding Services for an Adopted Child pages at [www.childwelfare.gov](http://www.childwelfare.gov).



# FINANCIAL RESOURCES FOR **ADOPTION EXPENSES**

The federal government, state governments, the military, employers, and adoption agencies may offer various forms of financial assistance for adoptive parents ranging from lower taxes to outright reimbursement of expenses. Note that financial assistance is available for all types of adoption with a few exceptions related to intercountry adoptions. Generally, a higher level of assistance is available for waiting child adoptions.

# Adoption Tax Credits

Adoptive parents may be able to claim a tax credit on their federal income tax return for qualified adoption expenses. The adoption tax credit changes each year. Visit [www.irs.gov](http://www.irs.gov) and search for Adoption Credit. Some states offer a similar tax credit, so adoptive parents should do research before filing state taxes each year.

## Qualified Adoption Expenses

As of this writing, the adoption tax credit applies to families that have federal income tax liability. However, the credit is not refundable, meaning that an adoptive parent may be able to claim the credit for qualified expenses even if no taxes are owed. Qualified expenses include the following:

- Adoption fees
- Lawyer fees and court costs
- Travel expenses, including meals and lodging, while away from home
- Re-adoption expenses related to adopting a child in another country

## Nonqualified Adoption Expenses

The following are not allowed as qualified expenses for the adoption tax credit:

- Funds received under any state, local, or federal program
- Costs that violate state or federal law
- Expenses related to carrying out a surrogate parenting arrangement
- Costs of adopting a spouse's child
- Funds paid for or reimbursed by an employer or any other person or organization

- Expenses allowed as a credit or deduction under any other provision of federal income tax law

## Claiming the Adoption Tax Credit

Individuals who adopt may be eligible for tax credits or income exclusions. The amounts may change annually, and the rules have changed dramatically in recent years. All adoptive parents should visit [www.irs.gov](http://www.irs.gov) for details. Consult a tax professional before filing your returns.

To claim the refundable adoption tax credit, use IRS Form 8839. Consult the instructions for details to include one or more adoption-related documents (see Form 8839 instructions for acceptable documentation) to support the claim. Keep the following in mind:

- **Adoptions that are not yet final:** The adoption tax credit can be claimed for domestic adoptions that are not yet final.
- **Intercountry adoptions:** Intercountry adoptions must be finalized before a parent can claim the adoption tax credit.
- **Interrupted/stopped adoptions:** Adoptive parents can claim expenses for an adoption that is stopped, but the amount is applied to the maximum amount that may be claimed on a second adoption.
- **Waiting child adoptions:** When adopting a domestic waiting child (referred to as a "special needs" child in IRS publications), individuals may be eligible for a certain amount of credit or income exclusion even if no out-of-pocket expenses were paid or incurred. Note: a child who receives an adoption subsidy (typically from some type of caretaking agency) is considered a child with special needs by definition.

- **High-income family adoptions:** The adoption tax credit begins to phase out for taxpayers with modified adjusted gross income in excess of \$194,580; it is completely phased out for those whose modified adjusted gross income exceeds \$234,580 (as of 2013).

For complete details, see the Topic 607: Adoption Credit and Adoption Assistance Programs section, the *Form 8839: Qualified Adoption Expenses* document, and *Instructions for Form 8839* document at [www.irs.gov](http://www.irs.gov).

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## Income Tax Dependency Exemption

An income tax exemption reduces taxable income, and therefore possibly reduces the amount of taxes an individual or family pays. The dependency exemption applies to adoptive children as well as biological children. The amount of the dependent exemption is adjusted annually to reflect the cost of living. For 2014, the personal exemption is \$3,950. The dependency exemption applies differently to domestic and intercountry adoptions.

- For domestic adoptions, parents may take the dependency exemption for children placed with them for adoption but not yet finalized.

You generally cannot claim a person as a dependent unless that person is a U.S. citizen, U.S. resident alien, U.S. national, or a resident of Canada or Mexico. However, there is an exception for certain adopted children, as explained next.

Exception for adopted child. If you are a U.S. citizen or U.S. national who has legally adopted a child who is not a U.S. citizen, U.S. resident alien, or U.S. national, this test is met if the child lived with you as a member of your household all year. This exception also applies if the child was lawfully placed with you for legal adoption.

- For an intercountry adoption, the child must have lived with the adoptive family for the entire tax year. Even if the adoption is not finalized, the exemption is valid if the child was lawfully placed with the adoptive family for legal adoption.

Adoptive families must provide more than half of their adoptive child(ren)'s support to list them as exemptions. Some adopted children receive subsidies, which may provide more than half of their support. For example, if a child receives \$5,000 a year in subsidies, the adoptive family must provide \$5,001 or more a year in support to claim the child as a dependent. For complete details, see the Exemptions for Dependents section in *Publication 501* at [www.irs.gov](http://www.irs.gov).

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## Assistance/Subsidies and Taxable Income

Note that adoption assistance funds provided by the federal or state government, an employer, or the military are not considered taxable income. In addition, adoption subsidies for the ongoing care of a child are not considered taxable income.

## Financial Resources for Waiting Child Adoptions

Federal and state governments offer financial assistance with the costs of adopting and caring for waiting children. Qualified one-time expenses may be reimbursed. For long-term care, adoption subsidy programs ensure that the adoptive families of waiting children have the necessary services and financial resources to meet their child(ren)'s ongoing needs.

Check with the child's agency to be sure to understand when each type of assistance is available and what is required for the plans to stay in effect. Be sure to apply for subsidy agreements in writing before the adoption becomes final.

## Assistance with Nonrecurring Adoption Expenses

One-time, out-of-pocket expenses for "reasonable and necessary" costs directly related to adoption may be reimbursed to adoptive families. These may include adoption fees, court costs, lawyer fees, required health and psychological examinations, transportation, and reasonable costs of lodging and food for the child and/or the adoptive parents, when necessary, to complete the placement or adoption process.

The federal government allows states to reimburse up to \$2,000 in nonrecurring expenses, but many states have set lower amounts. The state determines the child's eligibility and issues the adoption assistance payments. Case workers can help families by identifying which expenses are covered, how much is allowed by the state, and how to process claims for reimbursement. Adoptive families that are denied a government subsidy or believe the subsidy is inadequate can appeal the decision through the appropriate state agency.

Note that the reimbursement of adoption expenses must be agreed upon before the adoption is finalized, and may not include expenses reimbursed to the family through another source, such as an employee benefits program. For details, search for "nonrecurring expenses" at [www.childwelfare.gov](http://www.childwelfare.gov).

## Title IV-E Adoption Assistance Programs

Many children waiting in the foster care system are determined to have special needs and many are eligible for some type of adoption subsidy. In 1980, the U.S. Congress enacted the Title IV-E program to remove financial barriers to adopting waiting children.

Although the assistance is federally funded, individual states determine which children qualify. Adoption subsidies and their amounts are decided on a case-by-case basis and the needs of the child. The adoptive family's financial resources have no bearing on a child's eligibility for Title IV-E adoption assistance. Subsidies are reviewed periodically, depending on each state's policy. According to the North American Council on Adoptable Children, several criteria must be met to qualify for the Title IV-E adoption assistance program:

1. The court must have ordered that the child cannot or should not be returned home to the birth family.
2. A child with special needs, as determined by state definition.
3. The child could not be placed for adoption without a subsidy.

## Assistance with Medical Expenses

Children who qualify for Title IV-E adoption assistance are automatically eligible for Medicaid benefits. States also may choose to provide Medicaid coverage for children who do not qualify for the federal adoption assistance program. In some cases a child's need for medical coverage is not apparent at the time of the adoption. For children who have been in foster care, particularly, medical problems that were not fully recognized or disclosed by the child welfare agency may appear later and require long-term and expensive treatment. In addition, the effects of multiple foster care placements, as well as a history of abuse and neglect, may make the need for medical coverage for mental health care equally important.

Even if an adoptive family is certain that its health plan will be adequate, it is critical to arrange for the full amount of Medicaid assistance available before finalizing the adoption. Even though a family may never need to use Medicaid or other benefits of the adoption subsidy programs, it is important that all possible resources be available in case the child or family eventually does need help.

## Assistance from Social Services

Under Title XX of the Social Security Act, adopted children with special needs may be eligible for social services benefits if there is an adoption assistance agreement in effect for the child. With the help of social workers, adoptive families can identify post-adoption services that will help the adoption succeed. Such services may include specialized day care, in-home support such as house-keeping and personal care for the child,

and counseling. In some cases individual counseling for the child may be covered while family counseling is not, and partial costs for some services may have to be met by the adoptive family. It is important to know that Title XX funds are limited and may not always be available in each state at a given time.

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## Military Subsidies

The military will reimburse active-duty personnel for qualifying costs up to \$2,000 per child for domestic or inter-country adoptions performed through a state or nonprofit adoption agency. (Independent adoptions and adoptions performed through for-profit adoption agencies do not qualify for military reimbursements.) The military reimbursement is limited to \$5,000 in a given year, even if both parents are in the military.

## Claiming the Adoption Reimbursement

To claim the reimbursement, submit a DD Form 2675 no later than one year after the adoption is final. Fees that can be reimbursed include adoption fees; placement fees (including fees for birth parent counseling); legal fees and court costs; and medical expenses, including hospital expenses for the biological mother and her newborn infant. For more information, visit the National Military Family Association website at [www.militaryfamily.org](http://www.militaryfamily.org). Go to Your Benefits, and then go to Adoption.

## Military Assistance for Adoption

The U.S. military provides various resources for helping parents adopt and care for a child.

- **Leave:** Active-duty service members are allowed up to 21 days of leave in addition to regular leave to be used in connection with an adoption. As with any leave, this is granted at the discretion of the commander. Military families are not eligible for leave under the Family and Medical Leave Act (FMLA).
- **Health care:** The military provides health care for adopted children through TRICARE® health care, which covers U.S. military families worldwide.
- **Children with Disabilities:** The military's Exceptional Family Member Program (EFMP) helps ensure a disabled child's needs are considered during the military personnel assignment process. For details, visit the Department of Defense's Military OneSource website at [www.militaryonesource.mil](http://www.militaryonesource.mil) and search for EFMP/Special Needs.

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## Employee Benefits Programs

The number of employers who offer adoption benefits has risen gradually each year. In Aon Hewitt's annual survey of 1,000 major U.S. employers, only 12 percent offered a financial adoption benefit in 1990. In 2013, the number rose to 52percent. Employers that offer adoption benefits cite various advantages

for their companies, including worker productivity, employee retention, a positive public image, and equity in benefits for all employees, according to employer surveys by the Dave Thomas Foundation for Adoption.

For information about adoption benefits available to employees of the federal government, see the *Guide to Adoption and Foster Care Programs for Federal Employees* booklet on the U.S. Office of Personnel Management website at [www.opm.gov](http://www.opm.gov). For state government employees and private corporations, check with the employer to find out which types of adoptions and which expenses qualify for adoption benefits.

In addition to reimbursing some adoption expenses, an employer may provide benefits such as:

- Paid leave, in addition to or including vacation time, sick leave, or personal days
- Unpaid leave (personal, hardship, medical, or child care) that may range from three to 12 months
- Medical expenses for the birth mother
- Adoption seminars and information classes
- Employee adoption networks
- Counseling and support before and after placement
- An Employee Assistance Program (EAP) that helps employees deal with personal situations or problems such as the stress and anxiety that may arise during the adoption process

Even if an employer currently does not offer adoption benefits, ask about benefit availability. Adoptive parents may be able to persuade the company to begin offering them. Work with other employees interested in adoption, gather information for the employer, and present the case.

The Dave Thomas Foundation for Adoption website at [www.davethomasfoundation.org](http://www.davethomasfoundation.org) offers a great deal of information about adoption-friendly employers and adoption benefits for both employers and employees. Go to Free Adoption Resources and then Adoption Benefits.

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## Federal Family and Medical Leave Act

Unpaid leave under the federal Family and Medical Leave Act (FMLA) allows individuals to take up to 12 weeks off (unpaid but with benefits) without jeopardizing employment. The leave is available for anyone who works for a company with 50 or more employees.

Although the leave is unpaid, FMLA can provide valuable time for a newly adoptive family. Adoptive families planning to use FMLA may want to have a financial plan in order to fund this time off. Some states require employers to offer their workers a minimum amount of parental leave time.

## Sliding-Scale Fees

Some private adoption agencies offer reduced fees based on the adoptive family's income. In the case of a waiting child, most offer sliding-scale fees and some require no fees. Some adoption agencies may reduce fees for low-income families adopting older children or children with special needs from another country. When considering an adoption agency, ask if the agency offers sliding-scale fees.

## Loans

Some adoptive families may require a loan to cover adoption expenses. In some cases the family can pay back the loan quickly with subsidies or reimbursements. In other cases the family may have trouble repaying the loan, putting the family's financial future at risk. Therefore, it is important to seriously consider the risks of taking out a loan to pay for adoption expenses. It is important for the heads of the household to maintain financial stability for the good of all family members. Visit [www.smartaboutmoney.org](http://www.smartaboutmoney.org), then search for "borrowing options."

## Possible Loan Sources

Possible sources for loans to help with adoption expenses include:

- Relatives
- Religious organizations
- Life insurance
- Low-interest loans—some banks offer loans or credit lines for adoptive parents
- Home equity loans, which often feature reasonable interest rates

**Tip** Families need to keep in mind that they can lose their house if they cannot make payments on a home equity loan.

- Private grant and special loan programs

**Tip** The National Adoption Foundation offers direct grants, unsecured loans, and credit cards to select adoptive families. For more information, visit [www.nafadopt.org](http://www.nafadopt.org) and go to Fund Your Adoption.

## Loan Sources to Avoid

Adoptive parents may be tempted to fund an adoption with a credit card or a loan from a retirement plan. Most financial experts, however, recommend against using these sources of funding.

- **Credit cards:** Using a credit card is an easy source of funds, but the companies typically charge high interest rates. Paying less than the total amount due accrues interest and increases the total amount due—usually by a significant amount.
- **Retirement plan loans:** A retirement plan loan is a risk if it cannot be paid back in a short time period due to unforeseen circumstances such as a job change or job loss. If the loan is not repaid, it becomes taxable income that is subject to a 10 percent early withdrawal penalty (if the parent is younger than 59½ years old). The parent also loses the potential earnings the funds would have achieved if they had stayed within the retirement account.

Dipping into future retirement savings or running up credit card debt can add to financial and family stress in general. It also could throw the family's long-term goals and plans off course.



# SUPPORT FOR ADOPTIVE FAMILIES

Before receiving a child and after a child's placement, adoptive family members need to be sure to take care of themselves. Adoption often is an emotionally charged experience with many highs and lows.

## Support Groups

Adoption support groups can be helpful to families who are waiting for a child, and they are especially important following an adoption. These groups are designed to help adoptive parents cope with the challenges of raising adopted children by sharing experiences with fellow adoptive parents. Adoption agencies may help form support groups; other support groups are formed independently. Generally, the cost is minimal.

To find a support group, use the National Foster Care and Adoption Directory Search tool at [www.childwelfare.gov/nfcad](http://www.childwelfare.gov/nfcad).

## Parenting or Adoption Classes

In some cases parenting classes or adoption classes may be required as part of the adoption home study. Because adoption has a lifelong impact on the child and family, many parents find it helpful to continue to learn about adoption issues and parenting as their children reach different stages of development. For more information, see the Training for Adoptive Parents section at [www.childwelfare.gov](http://www.childwelfare.gov).

When raising an adopted child, parents may want to attend workshops or seminars that focus on telling the child about his or her adoption, dealing with common parenting problems (such as bed-wetting or fighting), or working effectively with teachers and the school system to be sure the child's needs are met. Adoption agencies frequently sponsor these types of classes, and a small registration fee usually is required.



# PLANNING FOR A CHILD'S FUTURE

Bringing an adoptive child into a family can create long-term financial planning needs. Adoptive parents will need to review their wills and trusts, considering issues such as beneficiaries and special-needs trusts. In addition, adoptive parents should prepare themselves for any financial implications of a possible birth parent search.

## Wills and Trusts

Adoptive parents need to think about several things in relation to their wills and any trusts. First, they need to have a will prepared if they do not have one. After a child is placed in the home, adoptive

parents should have a lawyer add the child to the will and any trusts. Mentally or physically disabled children can raise unique legal and financial issues. Parents need to think carefully about who will take care of the adopted child if something happens to the parents.

## Beneficiary Designation

Generally, financial planners recommend that parents not name their underage children as direct beneficiaries to insurance policies, retirement plans, individual retirement accounts, and other investments. This is because state laws restrict minors' access to their funds. Individual circumstances, however, may call for naming a child as a primary or secondary beneficiary. Talk with a financial planner, lawyer, or other specialist to determine the most appropriate actions.

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## Trusts for Children with Disabilities

Families who adopt a child who might never be self-sufficient due to a physical or emotional disability can arrange for a special-needs trust. To fund the trust, families have several options, which may include one or more of the following resources: life insurance proceeds, family savings, a payout from a lawsuit, gifts from family or friends, or assets from an inheritance. A trust can be useful in allowing family financial support for the child without affecting the child's eligibility for federal Supplemental Security Income (SSI) benefits. Consult an experienced lawyer and financial planner for guidance through the complexities of trusts.

## Birth Parent Search

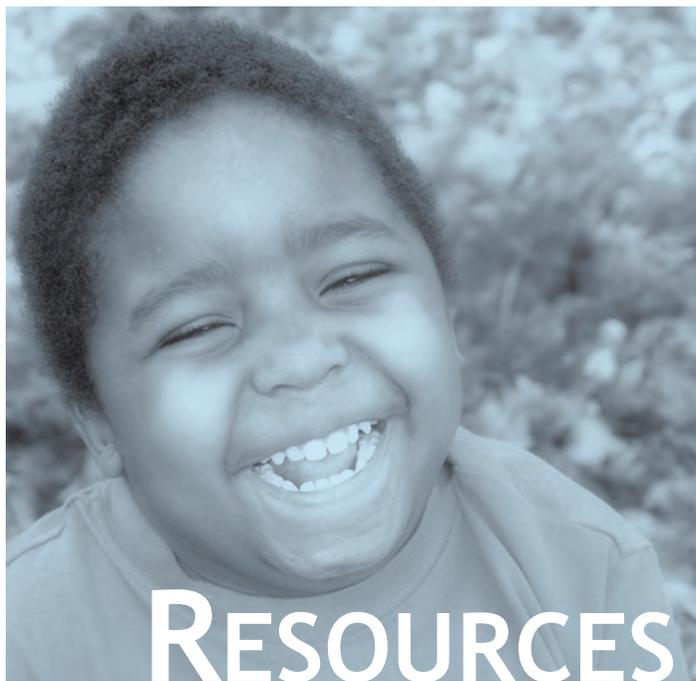
It is natural for an adopted child to be curious about his or her biological parents or siblings. Some adoptees will want to search for their roots or have a reunion with their biological parents or siblings after they reach adulthood. Adoptive parents should keep in mind the financial implications of searching for, communicating with, and visiting biological parents. Costs might include private investigators, lawyers, and travel. Performing some background work at the time of the adoption can help. Consider the following:

- By collecting as much background information as possible during the adoption process, parents may be able to satisfactorily answer some of a child's questions until he or she is old enough or able to get further information independently. Some children want to search for a birth parent before they are 18.
- Social media makes finding information about a birth family easier.
- Some states may make the records available to the adopted child when he or she is 18 or 21. Even then, state laws vary considerably regarding the circumstances under which information can be released after the adoption.
- Other states keep records permanently sealed unless a court order mandates that the records be opened for the adopted child.

For more information, visit [www.childwelfare.gov](http://www.childwelfare.gov), go to Adoption and then Search and Reunion.



With careful research and planning, along with support from professionals, whether in a public or private capacity, families can learn to manage the financial side of adoption. A variety of federal and state government resources are available, and many employers offer assistance. Financial concerns need not discourage prospective adoptive individuals, couples, and families from welcoming a new child.



## Adoption Checklist

- Read as much as possible about adoptions.
- Talk to friends and acquaintances who have adopted.
- Attend orientation sessions at public and private adoption agencies.
- Decide what type of adoption is most appealing, and review its features and drawbacks.
- Interview several adoption agencies or similar intermediaries.
- Clarify and compare adoption fees.
- Estimate all other potential expenses.
- Earmark funds and add to savings accounts for potential expenses.
- Maintain adequate family emergency funds.
- Continue saving for retirement.
- Avoid borrowing from retirement savings.
- Maintain or increase life insurance coverage.
- Inform employer and ask if the company offers adoption benefits.
- Apply for an adoption.
- Have a home study conducted.
- Begin the search for a child.
- Select a child.
- Review and adjust expense estimates if necessary.

- Seek and apply for financial assistance such as adoption loans, government assistance, and employer assistance.
- Prepare the home for the arrival of the child.
- Add the child to the family health plan.
- Finalize the adoption. (In the case of intercountry adoptions, re-adopt the child in the state of residence.)
- Get a Social Security number for the child.
- Get a new birth certificate for the child.
- Update the adoptive parents' wills, life insurance policies, and other appropriate documents.
- Join an adoptive parent support group.
- Identify an adoption therapist if needed.
- Plan for a trust if the child has special needs.

## Adoption Information

- Adopting.org: [www.adopting.org](http://www.adopting.org)
- AdoptUSKids: [www.adoptuskids.org](http://www.adoptuskids.org)
- American Academy of Adoption Attorneys:  
[www.adoptionattorneys.org](http://www.adoptionattorneys.org)
- Child Welfare League of America: [www.cwla.org](http://www.cwla.org)
- Dave Thomas Foundation for Adoption:  
[www.davethomasfoundation.org](http://www.davethomasfoundation.org)
- International adoption clinics and doctors at the Child Welfare Information Gateway: [www.childwelfare.gov](http://www.childwelfare.gov)
- National Military Family Association:  
[www.militaryfamily.org](http://www.militaryfamily.org);  
go to Your Benefits, then Adoption
- North American Council on Adoptable Children: [www.nacac.org](http://www.nacac.org)
- The Adoption Exchange, Inc.: [www.adoptex.org](http://www.adoptex.org)
- NEFE Smart About Money:  
[www.smartaboutmoney.org](http://www.smartaboutmoney.org);  
search for Adoption
- U.S. Department of Defense,  
Military OneSource:  
[www.militaryonesource.mil](http://www.militaryonesource.mil);  
search for Adoption
- U.S. Department of Health and Human Services, Child Welfare Information Gateway: [www.childwelfare.gov](http://www.childwelfare.gov)



*How to Make Adoption an Affordable Option* was written and produced as a public service by the Denver-based National Endowment for Financial Education® (NEFE®).

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**The Adoption Exchange** envisions a world in which all children are valued and grow up in safe and permanent families, and where families are supported in their critical roles. The Adoption Exchange is a nonprofit 501(c)(3) child welfare organization founded in 1983 to work for safety and permanence in the lives of foster children. For more information about the Adoption Exchange, visit [www.adoptex.org](http://www.adoptex.org).

**The Dave Thomas Foundation for Adoption®** is a national nonprofit public charity dedicated exclusively to finding permanent homes for the more than 130,000 children waiting in North America's foster care systems. Created by Wendy's® founder Dave Thomas, who was adopted, the Foundation implements evidence-based, results-driven national service programs, foster care adoption awareness campaigns, and advocacy initiatives. To learn more, visit [davethomasfoundation.org](http://davethomasfoundation.org) or call 1-800-ASK-DTFA.





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