# YOUR FINANCIAL FUTURE

Your Guide to Life Planning

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**Chris Dumford CFP®, AIF®**
Horizon Wealth Management
699 Hampshire Rd
Suite 201
Westlake Village, CA 91361
805-446-2868
cdumford@horizonwm.com
www.horizonwm.com
CA Insurance Lic# 0A11543
www.linkedin.com/in/chrisdumford/

## In This Issue

**The average total child-rearing costs for a child born in 2013 and living at home through age 17 range from $176,550 to $407,820, depending on the family's income level.**

## How Much Will That Little Bundle of Joy Cost You? Try $245,340

It certainly comes as no surprise to parents that raising a child can be expensive. But just how expensive? While many financial studies focus solely on college costs, research by the U.S. Department of Agriculture (USDA) provides parents and prospective parents with a general idea of the cumulative expenses for a child *before* college kicks in.

The results are sobering. According to its landmark study *Expenditures on Children by Parents, 2013,* the average total child-rearing costs for a child born in 2013 and living at home through age 17 is now $245,340 (in 2013 dollars). The USDA calculations include a wide variety of expenses, including housing, child care and education, health care, clothing, transportation, food, personal care, and entertainment.

### Estimated Cumulative Child-Rearing Expenditures, 2013-2030

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| Lowest Income Group (<$61,530) | $176,550 |
| Middle Income Group (between $61,530 and $106,540) | $245,340 |
| Highest Income Group (>$106,540) | $407,820 |

Source: USDA, News Release No. 0179.14, August 18, 2014 (latest available).

Two-parent households in the lowest income group (those earning under $61,530 per year) are estimated to spend between $9,130 to $10,400 per year on average; those in the medium income group (earning between $61,530 and $106,540) can expect to spend between $12,800 and $14,970 per year; and those in the highest income group (with incomes above $106,540) can expect to spend between $21,330 and $25,700 on average.

For a middle-income family with two children, the largest expenditures are:

- Housing, at an average of 30% of total expenses
- Child care/education, 18%
- Food, 16%
- Transportation, 14%
- Health care, 8%

Not surprisingly, geography matters. Parents in the "Urban Northeast" had the highest average expenses, while those in "Rural" areas had the lowest. It also should come as no surprise to parents that it is generally more expensive to raise a child today than it was when they were children.

The USDA website has a free calculator that can help parents estimate their child care costs. The Cost of Raising a Child Calculator factors in geography, single-parent or two-parent status, and the costs of additional children.

*Source: Lino, Mark. Expenditures on Children by Families, 2013, United States Department of Agriculture, Center for Nutrition Policy and Promotion. Miscellaneous Publication No. 1528-2013. August 2014 (latest available).*



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**Conducting an annual review of your insurance needs can help determine whether your existing coverage is still adequate and can help identify the areas that may need further attention.**

## Have You Reviewed Your Life Insurance Recently?

Many people follow the performance of their investment portfolios like a hawk, keeping track of even the slightest movement up or down. However, typically, the same cannot be said of their life insurance policies.

There are many different life experiences that may affect ongoing insurance needs and decisions. These may include:

- Management of estate expenses
- A change in marital status
- Birth of a child, or an adult child moving out of the home.
- Transfer of a business interest ("buy-sell" arrangements)

Unfortunately, many people don't take the time to review or revisit their life insurance policies after buying them, assuming they can literally put their life insurance "on the shelf" and forget about it. But doing so can be costly both in terms of lost money and lost opportunity.

Conducting an annual review of your insurance needs can help determine whether your existing coverage is still adequate and can help identify the areas that may need further attention.

As part of your annual financial review for 2017, consider assessing three key aspects of your life insurance policies:

- Intention -- Why did you originally buy the policies, and have your circumstances changed since then in ways that might change your life insurance needs?
- Ownership and beneficiary designations -- In whose names are the policies titled, and who have you listed as the beneficiaries? Changes in family circumstances often necessitate policy updates in these areas.
- A better deal? -- A life insurance review may reveal opportunities where you could obtain the same amount of coverage for less money, or more coverage for the same premium you're paying now.

Similarly, life insurance experts suggest that there are generally three categories of individuals who may benefit most from a life insurance review:

Young and just starting out: In the case of your untimely death, life insurance can help your family meet short-term needs such as paying funeral expenses, medical bills, legal fees, and any outstanding debts you may have left behind. Over the long term, insurance proceeds can be used for ongoing priorities, such as rent or mortgage payments, child care, routine household expenses, and education expenses. Generally speaking, life insurance is cheaper and more easily obtained at younger ages.

The middle years/empty-nesters: It's a common misconception that only people with young children and no savings need life insurance. Even if your children are grown up and financially self-reliant, life insurance may still be an important part of your financial strategy. A widow, widower, other loved one could be reliant on financial support from you. Also, life insurance can help you accomplish a number of estate planning goals.

Business owners: The loss of a key employee, such as a chief executive, can be devastating to small businesses. For this reason, life insurance is commonly employed as the funding mechanism in "buy-sell" agreements -- legal arrangements providing for an orderly transfer of ownership interests -- and to compensate for the loss of critical personnel. Life insurance can also be used as a supplemental benefit to retain or attract key employees and executives.

Contact your financial advisor to conduct an annual insurance review or to learn more about the uses and benefits of life insurance at every stage of life.



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