



# THE SEARCH FOR INCOME

Strategies for Managing Your Assets

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## How Much Will That Little Bundle of Joy Cost You? Try \$163,000

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. The average total child-rearing costs for a child born in 2010 and living at home through age 17 range from \$163,440 to \$377,040, depending on the family's income level. 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, 2010-2027

Lowest Income Group (<\$57,600)	\$163,440
Middle Income Group (between \$57,600-\$99,730)	\$226,920
Highest Income Group (>\$99,730)	\$377,040

Source: USDA, *Expenditures on Children by Families, 2010*; June 2011. All figures are in 2010 dollars.

Households in the lowest income group (those earning under \$57,600 per year) are estimated to spend 25% of their before-tax income on a child, while those in the highest income group (earning more than \$99,730 annually) are estimated to spend just 12%.

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

- Housing, at an average of 31% of total expenses.
- Child care/education, 17%.
- Food, 16%.
- Transportation, 14%.
- Health care, 8%.

Total annual costs for that middle-income, two-child family range from \$8,480 to \$9,630 per child on average. For those couples with only one child, costs tend to be as much as 25% higher. Overall, costs for single parent households average about 7% less.

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. Average child-rearing expenses for a middle-class family have climbed nearly 25% since 1960.

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 or two-parent status, and the costs of additional children. The tool is available here: <http://www.cnpp.usda.gov/calculator.htm>.

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