



How Much Does It Cost to Raise a Child?

By Andrew Cayer, CFP®

Often, we are asked by our younger clients about the financial implications of starting a family: How much does it cost to raise a child? We have recently updated our estimates based on actual data we are getting from our clients and the U.S. Department of Agriculture (USDA), and wanted to share them with all of you.

Since 1960, USDA has provided estimates of expenditures on children from birth through age 17 on an annual basis, based on the national Consumer Expenditure Survey. In its latest issue, it reports that the total national average cost to raise a child to the age of 18 is **\$372,000** for married couples with household income averaging \$185,000 (the USDA definition of high income). Married couples in the Northeast (with average income of \$192,000) have to reach into their pockets more with the average cost at **\$407,000**. Keep in mind that this is only through the age of 17 and does not include college tuition, easily another \$250,000 for four years at a premier private university.

We think the USDA estimates are low for the urban, high-income couples we serve. For example, those who decide to educate their children in public schools tell us they plan to move to a community that has good schools and lots of other amenities. Not only are the costs of homes in such areas higher, but so too are the property taxes. In addition, clients who reside in Boston, New York, etc. tell us they shop at

Whole Foods and other high-end grocery chains. And it's not uncommon for new families to tell us they are paying \$30,000-\$35,000 per year to put their new child in full-time daycare.

It is also worth noting that the USDA estimates do not fully capture every outflow associated with adding another member to the family. For example, having a child typically means purchasing more life insurance to cover the family, and may even call for more disability insurance for the key bread winner. The amount needed, and therefore its cost, will be determined by a number of factors including household income, age and health of the insured, and the number of dependents.

For all of these reasons and more, we make a number of adjustments to the USDA figures, and our results are presented in the figure below.

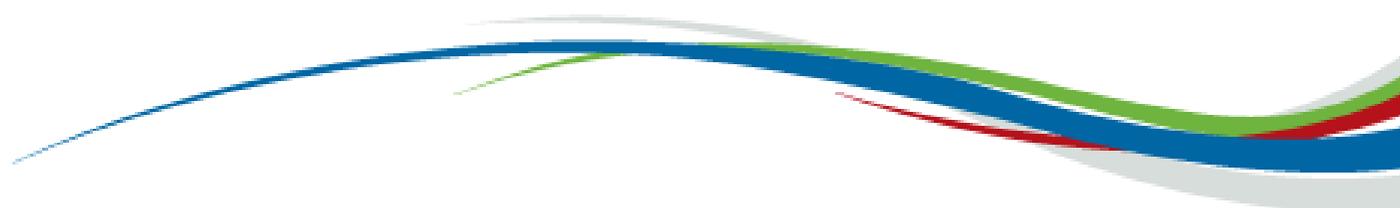
Bottom line: If you are a high-income couple planning to have a child and plan to remain in an urban region with both partners working, plan on budgeting \$622,000 to raise that child, not including college. Add in private higher education and private elementary and high school, and you will easily exceed the \$1.0M mark!



Figure 1: Artemis Financial Advisors – Estimated Cost of Raising a Child to Age 17

	Annual Costs		Total Costs	USDA Estimate	Notes
	Ages 0 - 5	Ages 6 - 17			
Housing	\$ 8,138	\$ 8,138	\$ 146,475	\$ 117,180	25% increase on USDA estimate. Our clients tend to pay more to live in communities with preferred public schools and other amenities.
Food	\$ 2,754	\$ 4,206	\$ 68,448	\$ 55,830	20% increase on USDA estimate. Our clients are attracted to more expensive supermarkets (e.g. Whole Foods).
Transportation/Travel	\$ 2,610	\$ 2,840	\$ 49,770	\$ 49,770	Likely low if family takes expensive vacations. We will customize this number if family indicates high travel budget.
Clothing	\$ 1,608	\$ 1,846	\$ 32,033	\$ 26,490	20% increase on USDA estimate; In line with estimates of past clients.
Health Care	\$ 1,398	\$ 1,544	\$ 27,060	\$ 27,060	Can vary greatly depending on how much employees asked to pay. We always customize this estimate.
Child Care and Education	\$ 30,000	\$ 5,000	\$ 215,000	\$ 98,370	Average full-time daycare in Boston region. We assume public elementary/high school; \$5,000 is estimate for extracurricular activities/other school expenses.
Summer Camps	\$ 1,000	\$ 3,500	\$ 50,500	Included In other	With two working parents, it's either lots of camps or extra help.
Other	\$ 1,822	\$ 1,821	\$ 32,790	\$ 32,790	
Total	\$ 49,330	\$ 28,895	\$ 622,076	\$ 407,490	

Source: Artemis Financial Advisors, USDA.



USDA Definitions:

Housing expenses consist of shelter (mortgage payments, property taxes, or rent; maintenance and repairs; and insurance), utilities (gas, electricity, fuel, cell/telephone, and water), and house furnishings and equipment (furniture, floor coverings, major appliances, and small appliances). USDA assumes each child requires an additional bedroom.

Food expenses consist of food and nonalcoholic beverages purchased at grocery, convenience, and specialty stores; dining at restaurants; and household expenditures on school meals.

Transportation expenses consist of the monthly payments on vehicle loans, down payments, gasoline and motor oil, maintenance and repairs, insurance, and public transportation (including airline fares).

Clothing expenses consist of children's apparel such as diapers, shirts, pants, dresses, and suits; footwear; and clothing services such as dry cleaning, alterations, and repair.

Health care expenses consist of medical and dental services not covered by insurance; prescription drugs and medical supplies not covered by insurance; and health insurance premiums not paid by an employer or other organization. Medical services include those related to physical and mental health.

Child care and education expenses consist of day care tuition and supplies; baby-sitting; and elementary and high school books, fees, and supplies. This estimate assumes the child goes through the public school system.

Other expenses consist of personal care items (haircuts, toothbrushes, etc.), entertainment (portable media players, sports equipment, televisions, computers, etc.), and reading materials (non-school books, magazines, etc.).

View the full report at: https://www.cnpp.usda.gov/sites/default/files/crc2015_March2017.pdf

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