Children and Family Finances -- The Cost of Raising a Child

Revised by Celia Ray Hayhoe, Ph.D., CFP®, Family Resource Management Specialist, Virginia Tech and Chungwen Hsu, graduate student, Dept. AHRM, Virginia Tech

The average cost of raising a child from birth to age 18 increased from $170,460 in 2001 to $204,060 in 2007.

There are seven main categories on which the USDA bases its calculations for raising a child: housing, food, transportation, clothing, health care, childcare, education, and miscellaneous goods and services.

**Housing:** The government estimates the average middle-class family with one child will spend an extra $68,160 on shelter until the child is 18. The average annual cost over all income groups ranges from $2,300 to $6,380.

**Food:** The government estimates that the average family will spend an extra $34,650 on food items such as: food and nonalcoholic beverages purchased at grocery, convenience or specialty stores (including purchases with food stamps), dining at restaurants, and household expenditures on school meals until the child is 18. The average annual cost ranges from $1,280 to $2,480.

**Transportation:** The government estimates that the average family will spend an extra $29,400 on the purchase of new or used vehicles, vehicle finance charges, gas, car maintenance, repairs, insurance, and public transportation until the child is 18. The average annual cost ranges from $900 to $2,780.

**Clothing:** The government estimates that the average family will spend an extra $9,840 on clothing until the child is 18. The average annual cost ranges from $340 to $1,030.

**Health Care:** Many health care companies have family plans with a set monthly premium that covers an entire family, up to a certain amount. The government estimates that the average family will spend an extra $15,630 until the child is 18. The average annual cost ranges from $570 to $1,120. Check into your health provider’s plans and make sure you have health insurance for your children before they are born! Some health care plans do not pay until after the child is 6 months old.

**Child Care and Education:** The government estimates that the average family will spend an extra $25,230 on childcare and education which includes day care tuition and supplies; baby-sitting; and elementary and high school tuition, books, and supplies until a child is 18. The average annual cost of child care ranges from $580 to $2,120. In Virginia the average annual fees for childcare can be found in Table 1.
<table>
<thead>
<tr>
<th>Type of Care</th>
<th>Cost</th>
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</thead>
<tbody>
<tr>
<td>An infant, full time in a center</td>
<td>$10,426</td>
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<tr>
<td>An infant, full time in a family childcare home</td>
<td>$8,086</td>
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<tr>
<td>A 4-year old, full-time in a center</td>
<td>$8,268</td>
</tr>
<tr>
<td>A 4-year old, full time in a family childcare home</td>
<td>$7,098</td>
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<tr>
<td>A school age child, before and after school care in a center</td>
<td>$6,604</td>
</tr>
<tr>
<td>A school age child, before and after school care in a family childcare home</td>
<td>$5,824</td>
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</tbody>
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Table 1 Average Annual Fees of Childcare in Virginia

**Miscellaneous:** The government estimates that the average family will spend an extra $21,150 on miscellaneous items such as personal care items, entertainment, and reading materials until a child is 18. The average annual cost of miscellaneous expenses ranges from $700 to $2,120.

**Making a Spending Plan**

A spending plan is always an effective tool to help you get the most for your money. It is especially important when you have a sudden change in your income or your expenses. A spending plan helps you:

- make decisions about how to spend your money
- match your spending to your current income

The following information can help you set up a spending plan (a budget) for your current income and the changes in your expenses due to the new baby. Start with a monthly plan. This plan will list every item you spend money on during the month.

Then expand your plan to 12 months and be careful to include occasional expenses such as taxes, auto license, gifts, holiday meals, and vacations. The easiest way to do this is to use a calendar and mark when these expenses are due. Then total the amounts by category over the year and divide by 12 to get the amount needed in the monthly budget. For example, if you spend $20 for gifts in February, $50 in May, $20 in June, $75 in July, and $300 in December, the total for the year is $445. Dividing $445 by 12 equals $37 a month that you should put in your spending plan for gifts. Some months you will spend nothing on gifts and other months you will spend more than your spending plan shows, but over the year, the amount should balance out. (See *How to Make Your Money Go Further*, Virginia Cooperative Extension publication 354-028, for more details on setting up a spending plan and covering the additional expenses. You can find the publication online at [http://www.ext.vt.edu/pubs/family/354-028/354-028.html](http://www.ext.vt.edu/pubs/family/354-028/354-028.html) or through your local Extension office. Appendices A and B at the end of that publication contain forms to help you devise a spending plan that includes the increased expenses that accompany a new baby. The forms are designed to help you estimate your spending levels. They can also help you track your expenses and compare them with the estimates. You should continue tracking your expenses every month to gain a handle on the new expenses related to your baby. Once you have determined your monthly expenses, try making a plan...
for the entire year. Planning expenses will help you meet your financial goals.

Making a Spending Plan Work
Once you have a spending plan that sets amounts for the essential family needs and balances your spending with your income, you need to follow it. Writing it down is not enough, the plan must be used to guide your spending.

Keep track of your spending to be sure you don’t exceed your spending plan amounts. The best way to do this is to keep a record of your spending in each expense category. There are several ways to do this. One way is to use an accordion file with a slot labeled for each of the expense categories. Place all receipts into the correct category. In each category slot, place a piece of paper with the total amount you budgeted for that category. Each time you put a receipt into the folder, deduct that amount from the total amount budgeted. With this method you will be able to see the amount of money left in each category each time you spend money.

Another way to set up a monthly plan is to use a computer spreadsheet or budgeting program that allows you to enter each check, note what it is for, and then compile monthly reports. When using this method, you must also keep a cash log for items paid for with cash. A cash log is a small notebook you carry with you. You enter each cash purchase when it is made. Include snacks, fast food, newspapers, what you buy from vending machines, and anything else paid for with cash. Record the date, amount and the spending category where the expense belongs. Once a week, total the amounts spent in each category and enter them into the computer program. If this is the first time you have made a spending plan, keeping a cash log for a month will give you better estimates for your categories.

A third way to set up your monthly plan is to use an account book or columnar paper to keep track of expenses. It is best if you enter amounts daily so you do not forget any items.

Regardless of which method you use, once a month compare the actual amount you spent to the amount you budgeted. If you find a forgotten expense or income, make the adjustments immediately. Some differences, especially for variable expenses, will work out over the course of a year. Once your monthly budget is working, complete a plan for the year. A computer program will let you enter your spending plan amounts and print a report of your actual versus your planned amounts.

Health Insurance for Your Child
If your household income is 100% to 133% of the federal poverty guidelines, your children may qualify for Medicaid (called FAMIS PLUS in Virginia). Federal poverty levels are based on family size. For coverage information and eligibility requirements call FAMIS at toll free at (866) 873-2647 or at http://www.famis.org.
If your household income is between 134% and 200% of the federal poverty guidelines and your child does not have access to health insurance, he or she may qualify for coverage under Family Access to Medical Insurance Security (FAMIS). FAMIS covers doctor’s visits, well-baby checkups, hospital visits, vaccinations, prescription medication, tests, x-rays, dental care, emergency care, and vision care for children 18 years old and under who live in Virginia. Co-payments may apply for some services. You can contact FAMIS at the number in the previous paragraph. Information is also available through your local Department of Social Services.

Food Program for Women, Infants, and Children (WIC)
WIC is a nutrition program that assists mothers and children under the age of 5 to eat healthy. Women who are pregnant or breastfeeding, infants, and children under 5 who meet the income guidelines and have a nutritional need receive nutrition education, free nutrition check-ups, support with breastfeeding, health care referrals, healthy recipes, and access to healthy foods. For more information, visit the Virginia Department of Health website at http://www.vdh.state.va.us or call toll free (888) 942-3663. Nutrition information is also available at your local Cooperative Extension office and at www.mypyramid.gov.

Cost of Raising a Child Calculator
An annual cost of raising a child calculator is available at www.mypyramid.gov.

Additional Resources if You Need Financial Assistance in Virginia
- The Department of Social Services, http://www.dss.virginia.gov
- The Salvation Army, http://www.salvationarmyusa.org
- The Red Cross, http://www.redcross.org
- Contact local churches for food pantries, etc.
- Contact hospitals in your area
- To find a Food Bank in your area visit http://www.vafoodbanks.org/index.htm or call (757)314-4572.
- You can also dial 211 for Virginia referral information in your area.

This is one fact sheet in a series entitled Children and Family Finances. You may also want to review the Planning for Baby series.

This fact sheet was revised from Planning for Baby – Family Finances by Hayhoe, C., Jamison, S. Dillard, A. F., and Chase, M.

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