



# the cost of kids

Ask an economist why most Americans have abandoned the idea of a big family, and he will probably say that women's rising earnings have increased the opportunity costs of raising a large brood. A demographer would add that delayed childbearing, norms about ideal family size, and the availability of effective contraceptives have driven fertility rates down. The harried parents at the local Gymboree have a simpler answer: "We can't afford it."

Is raising children too costly for today's parents? Some critics complain that kids expect pony rides at their birthday parties, Wii games, and Seven jeans. Parents cannot fight peer pressure and Madison Avenue, so they're having fewer kids but still spending more to keep Junior happy. Others blame the costs of necessities like child care, health insurance, a home in a good school district, and looming college tuition, which have risen to unprecedented levels.

The cost of raising a child has increased steadily since 1960, when the U.S. Department of Agriculture (USDA) first estimated the expense of raising a child from birth until age 17. The USDA estimates these expenses for single-parent and two-parent families, and also for low-, middle-, and high-income families. In 2005, a middle-income family had a pretax annual income of \$43,200 to \$72,600. The USDA also estimates how much parents spend on seven types of child-related expenses: housing, food, transportation, clothing, childcare and education, health care, and "miscellaneous," including toys and recreation. The estimated cost (in 2005 dollars) of raising a child from birth to age 17 increased from \$166,000 in 1960, to \$187,000 in 2000, to \$191,000 in 2005, among middle-income, two-parent families. Annual expenses vary widely today—from \$6,000 to \$16,000—depending upon the child's age, geographic region, and the parents' marital status and income.

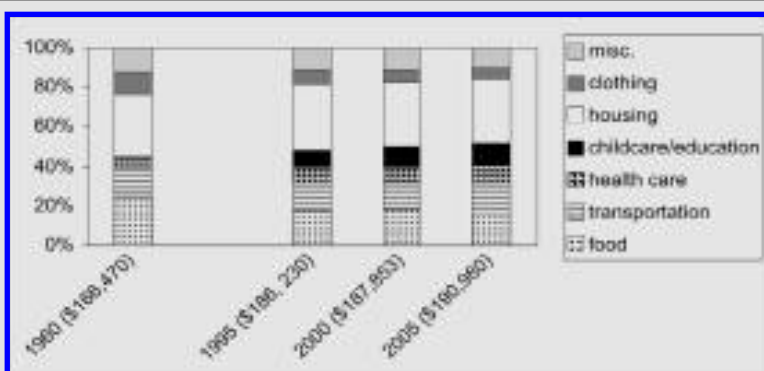
How parents spend their money has also changed. Despite myths of parents frittering away their savings on iPod nanos for their toddlers, the proportion of child-rearing expenses allocated for "miscellaneous" items has remained flat since 1960. The share that parents spend on kids' clothing has dropped from 11 per-

cent in 1960 to just 5—7 percent in the 1990s and early 2000s. The proportion spent on food has dropped from 24 percent in 1960 to just 18 percent in recent years, despite perceptions that parents are spoiling their kids with pricey restaurant food or ready-made meals.

The biggest chunk of child-related expenses today includes necessities, not frills. Dual-career couples need to pay for child care. Parents concerned about the quality of their children's education need to buy homes (and pay high property taxes) in good school districts. Expenditures for education and child care have increased from 1 percent in 1960 to 9 percent in 1995 and to 12 percent in 2005. And the USDA estimates exclude the most daunting expense of all: college. According to the National Center for Public Policy and Higher Education, the share of family income required to send a child to a public university doubled between 1980 and 2000. In 2005, college costs (including tuition, room, and board) averaged \$12,127 and \$29,026 for four-year public and private institutions, respectively.

These increases in these "fixed" costs, such as childcare, tuition, housing, and health care, are driving married parents into bankruptcy at twice the rate of their childless counterparts, according to some economists. The most pressing concern for population policy experts today is not how many children Americans are having, but how parents can comfortably provide for them.

average expenditures (in 2005 dollars) on a child from birth to age 17 among middle-income, husband-wife families and percentage spent per category, United States, 1960–2005



Sources: College Board, *Trends in College Planning, 2005, Trends in Higher Education Series* (Washington, DC: College Board, 2005); United States Department of Agriculture, *Expenditures on Children by Families, 2005*. (Washington, DC: USDA, Center for Nutrition Policy and Promotion, 2005).