

Bloomberg

Child-Rearing Cost Climbs 2.6% for 2012 Babies, U.S. Says

By Alan Bjerga - Aug 15, 2013

A middle-income family will spend \$241,080 on average for 18 years to raise a child born in 2012, a 2.6 percent increase from a year ago that outpaces the broader inflation rate, according to a government report.

Housing was the largest expense at 30 percent of spending, the U.S. Department of Agriculture said yesterday in an annual report that also showed wealthier families spent triple the amount on entertainment and reading materials as poorer households. Child care was the second-biggest expense in more affluent homes, while lower-income households spent a greater proportion on food as federal nutrition aid reached records. Health costs pinched all household budgets.

“The cost of raising a child increases as family income goes up because families have more resources,” Kevin Concannon, the USDA’s undersecretary for food, nutrition and consumer services, said on a conference call with reporters. “The stresses and the challenges get worse as families have less access to resources.”

Child-raising costs are climbing just as elements of the federal health-care overhaul take effect, aiming to limit price gains, and as a rebound in U.S. home prices adds expenses for families. U.S. inflation in the year through June was 1.8 percent, according to the government. The USDA report excluded payments for college.

Income Differences

The study, conducted since 1960, tracks seven categories of spending, such as housing, transportation and clothing, and is used to help courts and government agencies estimate child-support costs, the USDA said.

For a typical two-parent middle-income family, spending on each child was \$12,600 to \$14,700 in 2012. A family earning less than \$60,640 a year will probably spend \$173,490 in 2012 dollars, while parents earning more than \$105,000 may pay \$399,780, according to the study.

Adjusted for anticipated inflation, raising a child in a middle-class family would cost \$301,970, the USDA said. The report includes an online [calculator](#) to help figure out costs.

Expenses were highest for children raised in the urban Northeast, followed by West and Midwest cities, the USDA said. The urban South and rural areas were the least expensive. While housing accounts for the biggest portion of expenses, across income groups, the next-highest expenses vary depending on household wealth.

Child Care

Higher- and middle-income households spend the second-most on child-care and education, followed by food, while nutrition was a bigger share of expenses for poorer households, with more lower-income families caring for their children at home, the study said. Transportation was the third-biggest expense across all income categories.

Costly services are making day care unaffordable for some low-income families, said Michelle McCready, a senior policy adviser with Child Care Aware of America, an Arlington, Virginia, group that advocates for government aid to poorer households. Those families rely on unregulated facilities or relatives to care for children, or in some cases give up jobs to raise them, she said.

“Parents do the math and either stay at home or go with unregulated care,” she said.

Lower-income families also are struggling more to cover food costs, according to government data. Enrollment in the Supplemental Nutrition Assistance Program, known as food stamps, reached a record [47.8 million](#) people in December 2012, and annual [spending has doubled](#) since 2008. With children representing [45 percent](#) of all recipients, the program has become crucial for lower-income families with children, Concannon said.

Housing Costs

Housing has covered almost a third of costs to raise a child since the first study. The real-estate market collapse beginning in 2007 helped constrain cost increases, easing budget pressures for some families, said Mark Lino, the USDA researcher who wrote the report. A rebound, while healthy for the broader economy, may actually make home affordability more difficult for some families, he said.

“Health-care and child-care costs have been stresses to families over the past few years” more than housing has, Lino said in an interview. And while depressed property values lessened some strains, “falling home prices created their own sets of problems,” he said.

Low-income households have less to spend on personal-care items, entertainment such as video

games or sports equipment, and reading materials, as basic necessities take a greater proportion of incomes. Since 1995, the lower third of households increased such miscellaneous spending by less than 1 percent, a decline in real expenditures when inflation is considered, Lino said. Spending on such items in wealthier homes rose 37 percent.

‘Cover Necessities’

“It’s a zero-sum game, and the bottom third has had to shift money to cover necessities,” he said. “The upper-income families have more flexibility.”

In the 1960 report, housing accounted for 31 percent of child-raising costs, then estimated at \$25,230 -- equal to \$195,690 in 2012 dollars. Food was the second-biggest expense, at 24 percent, with transportation at 16 percent, up from 14 percent in 2012.

Health care covered 4 percent of costs in 1960, half the 2012 level. More-expensive medical treatments for children, especially babies, has pushed spending higher at a faster rate than other costs, said Carolina Herrera, research director for the Health Care Cost Institute, which analyzes data given by insurance companies to understand spending trends.

Education and child care were 18 percent of 2012 costs, up from 2 percent in 1960 when most children were cared for at home. Median household income in 1960 was [\\$5,600](#) -- or \$44,176 in today’s dollars. U.S. household income in 2011, the most recent data, was \$50,054.

To contact the reporter on this story: Alan Bjerga in Washington at abjerga@bloomberg.net

To contact the editor responsible for this story: Steve Geimann at sgeimann@bloomberg.net

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