

Kids, they might be cute but they are costly

By ROBYN TURNOR

Cassandra Ryan - mum to five-month-old Abbielle and step-mum to 13-year-old Shenae - said she had never added up the costs of raising children and certainly hadn't considered the cost of having a baby.

The Australian Securities and Investments Commission (ASIC) has advised consumers to prepare for their financial turning points in 2010 and has identified three common turning points in life including leaving home, having a baby and retirement.

When told the typical Australian family spends \$537,000 on two children from the time they were born to the age of 21 years, Mrs Ryan was shocked.

"No way, my goodness that is scary," she said.

And when told her family falls into the high income bracket and the cost of raising two children, including private schooling, was more likely to be \$759,000 her astonishment was clear.

She went silent and sighed.

"I am trying to convince Matt we need to have another one - maybe I will ignore it for another year and then panic," she said.

"I cannot believe how much money that is.

"When you add it up over 21 years it seems like a lot."

Mrs Ryan, who is on maternity leave from her job as an engineer in the navy, and husband Matt, a technician in the oil and gas industry, believed supporting a family would be a piece of cake.

"We thought about it because of the family circumstances, but specifics, no, we just thought we wanted to have a family and we need to have that shot at having a baby," she said.

But when asked to list the cost of weekly items for Abbielle, Mrs Ryan

hit \$125 after adding up the cost of nappies (\$50), jars of baby food (\$70) and baby wipes (\$5).

"You are kidding," she said.

Mrs Ryan said she had saved a lot of money on the initial items for a baby because she had been given a lot by her sister but had still spend \$2500 on items including a pram and car seat.

While Shenae attends a private school, Mrs Ryan said Abbielle would probably go to a public school.

Mrs Ryan, from Cardup, said she was concerned about the cost of child care when she decides to return to work after her year off.

Certified financial planner Matt Hern, who has been named one of Australia's top 50 financial planners three times, said Cassandra's attitude was typical as it was not in our nature to look at things until we were in the thick of it.

"Often the only time they think of the costs is when a financial planner tells them they should," he said

Mr Hern, who is based in Victoria Park and whose biggest client base is aged 25 to 40 years, said he advised people to plan for their children - especially the type of education they wanted for them - a minimum of five years ahead of them starting school.

"The longer you think about it in advance, the easier is to save for it, irrespective of the goal," he said.

"The more planning you do the easier it is to get there.

"I am the goal setting type so I start with where they want to go with their children, what type of school and work back to today and ask them how much they need to save for their 12 years of education, then we look at the context of whether they can achieve it.

"If it is not achievable, then we discuss adjusting the goal including what they are prepared to do to achieve it."

Food is the biggest cost

The National Centre for Social and Economic Modelling (NATSEM), a research centre within the University of Canberra, has looked at the costs of raising children in 2002 and 2007.

NATSEM principal research fellow Richard Percival said the figures in the 2007 report would not have changed, despite the world economic crisis. "In Australia things haven't changed that much. From our point of view that research is still recent," he said.

The report gave three figures for the cost of raising two children until the age of 21.

They would cost \$303,000 for families with an average weekly income of \$729.

The cost rose to \$537,000 for families with an average income of \$1538 and \$759,000 for families earning an average of \$3216 per week.

It showed the average cost of a zero to four-year old was \$144 per week compared with \$384 per week for someone aged over 18 years.

Based on an average weekly income of \$1722, it said one child would cost \$209 per week, two

children would cost \$388 and three children would cost \$537. Families on a low income with three children would spend 46 per cent of their weekly pay on their children, compared with 33 per cent for middle income families and 25 per cent for high income families.

Food was usually the biggest expense - \$68,300 for two children in a low income family, \$107,800 for middle earners and \$122,900 for high earners. Education costs for low incomer earner's children were \$19,200, \$49,000 for middle earners and \$161,000 for high income earners who sought private education.

Professor Percival said people would adjust their spending according to their earning level.

"If people's incomes go down then less would get spent on children but we don't really know how long that takes," he said. "Families who have children in expensive schools try to weather it out for a while but we still don't know how long.

"It does still shock people but people still spend on themselves and their families and their homes and their children as they go.

"It's just that when its added up it looks very big."



Abbielle Ryan will have cost her parents hundreds of thousands of dollars by the time she turns 21.