

# Financing a Family

## “Lots to Think About”

### Life Smarts:

1. Based on information provided, compute the cost of financing a family.

### The wedding

There have been many romantic comedies written about this important event. Getting married, for many couples, represents the culmination of a lifetime spent planning and dreaming about a day that is a statement about their devotion to each other and an example of how their lives together will be going forward. For most couples, this day never comes off without at least one minor mishap. Even if everything goes according to plan, one looming reality is left for the newlyweds: the outrageous expense! The following list represents a possible list of items that are included in an average wedding:

<b>Average Cost of Wedding</b>	
<b>Attire &amp; Accessories</b>	<b>\$1,640</b>
Wedding Dress	
Dress Accessories	
Headpiece and or Veil	
Tuxedo / Suit / Other Accessories	
Tuxedo / Suit / Other Rent / Purchase	
<b>Beauty &amp; Spa</b>	<b>\$120</b>
Makeup Service	
Hair Service	
Manicure & Pedicure	
<b>Entertainment</b>	<b>\$1,150</b>
DJ	
Live Band	
Musician / Soloist / Ensemble	
<b>Flowers &amp; Decorations</b>	<b>\$1,430</b>
Boutonnieres, Corsages	
Bridal Bouquets	
Bridesmaid Bouquet	
Ceremony Decorations	
Ceremony Flower Arrangements	
Flower Girl Flowers	
Flower Petals	
Reception Decorations	
Reception Flower Arrangements	
Reception Table Centerpieces	
<b>Gifts &amp; Favors</b>	<b>\$613</b>
Gifts for Attendants	
Gifts for Parents	
Tips (for all services)	
Wedding Favors	
<b>Invitations</b>	<b>\$800</b>
Ceremony Programs	
Engagement Announcements	
Guest Book	
Invitations & Reply Cards	
Postage	
Reception Menus	
Save the Date Cards	
Table Name and Escort/Place Cards	
Thank You Cards	
<b>Jewelry</b>	<b>\$3,730</b>
Engagement Ring	

Wedding Band	
<b>Photography &amp; Video</b>	<b>\$2,500</b>
Digital or Photo CD/DVD	
Engagement Session	
Prints and/or Enlargements	
Traditional Leather-bound Album	
Wedding Photographer	
Wedding Videographer	
<b>Planner Consultant</b>	<b>\$1,500</b>
A La Carte Services	
Day of Coordinator	
For Getting Started	
Full Service	
Month of Direction	
<b>Transportation</b>	<b>\$400</b>
Limo Rental	
Other Transportation	
<b>Venue, Catering &amp; Rentals</b>	<b>\$10,200</b>
Ceremony Accessories	
Ceremony Location	
Ceremony Officiator	
Hotel Room for After Reception	
Reception Accessories	
Reception Bar Service	
Reception Food Service	
Reception Location	
Reception Rentals	
Rehearsal Dinner	
Wedding Cake/Dessert	
<b>Marriage License</b>	<b>\$70</b>
<b>Honeymoon</b>	<b>\$3,700</b>
<b>Average Total Cost of Wedding</b>	<b>\$23,478</b>

Depending on the level of extravagance you choose, expect to pay somewhere in the range of \$28,000 for that dream wedding. Keep in mind; this is the cost of an average wedding. People who choose to pay the \$70 for a marriage license and get married at the local courthouse by a judge are averaged in with the wealthy people who spend tens of thousands of dollars on “over the top” celebrations. Whichever category you choose for your special day, remember that proper budgeting can help make the occasion a memorable one. Overspending, debt, and regret are difficult circumstances for any couple beginning a life together.

## The cost of raising children

According to the Department of Health and Human Services, the basic cost of raising a child in 2015 is **\$4,020**. The total average cost of raising a child from birth to age 18 will be **\$389,670** using a rate of 3% inflation.

Expenses in raising a child include housing, food, clothing, health care, child care, and schooling. Other expenses to be considered are family vacations, birthday gifts, music lessons, and other activities.

**Table represents cost of raising children for a dual-parent family**  
**Source: United States Department of Agriculture Expenditures on Children by Families, 2011**

Age of Child	Housing	Food	Transportation	Clothing	Health	Child care /Education	Miscellaneous	Total
<b>Before-tax income: Less than \$59,410 (Average = \$38,000)</b>								
0 to 2	2,990	1,160	1,170	640	630	2,040	420	9,050
3 to 5	2,990	1,260	1,230	500	590	1,910	620	9,100
6 to 8	2,990	1,710	1,350	570	660	850	630	8,760
9 to 11	2,990	1,970	1,350	580	710	1,290	630	9,520
12 to 14	2,990	2,130	1,480	690	1,090	880	700	9,960
15 to 17	2,990	2,120	1,630	730	1,010	910	580	9,970
<b>Total</b>	<b>53,820</b>	<b>31,050</b>	<b>24,630</b>	<b>11,130</b>	<b>14,070</b>	<b>23,640</b>	<b>10,740</b>	<b>169,080</b>
<b>Before-tax income: \$59,410 to \$102,870 (Average = \$79,940)</b>								
0 to 2	3,920	1,405	1,690	760	850	2,860	890	12,370
3 to 5	3,920	1,490	1,740	610	800	2,740	1,090	12,390
6 to 8	3,920	2,100	1,860	680	940	1,680	1,110	12,290
9 to 11	3,920	2,400	1,870	710	1,000	2,110	1,100	13,110
12 to 14	3,920	2,580	1,990	840	1,410	1,910	1,170	13,820
15 to 17	3,920	2,570	2,150	900	1,330	2,400	1,050	14,320
<b>Total</b>	<b>70,560</b>	<b>37,620</b>	<b>33,900</b>	<b>13,500</b>	<b>18,990</b>	<b>41,100</b>	<b>19,230</b>	<b>234,900</b>
<b>Before-tax income: More than \$102,870 (Average = \$180,040)</b>								
0 to 2	7,100	1,900	2,550	1,050	980	5,090	1,790	20,460
3 to 5	7,100	2,000	2,610	880	930	4,970	1,990	20,480
6 to 8	7,100	2,630	2,730	970	1,080	3,910	2,000	20,420
9 to 11	7,100	2,980	2,730	1,010	1,150	4,350	2,000	21,320
12 to 14	7,100	3,190	2,860	1,170	1,610	4,700	2,070	22,700
15 to 17	7,100	3,180	3,020	1,280	1,520	6,460	1,950	24,510
<b>Total</b>	<b>127,800</b>	<b>47,640</b>	<b>49,500</b>	<b>19,080</b>	<b>21,810</b>	<b>88,440</b>	<b>35,400</b>	<b>389,670</b>

**Table represents cost of raising children for a single parent family**  
**Source: United States Department of Agriculture Expenditures on Children by Families, 2011**

Age of Child	Housing	Food	Transportation	Clothing	Health	Child care /Education	Miscellaneous	Total
<b>Before-tax income: Less than \$59,410 (Average = \$26,350)</b>								
0 to 2	2,840	1,400	680	410	520	1,400	510	7,760
3 to 5	2,840	1,370	920	330	600	1,940	610	8,610
6 to 8	2,840	1,830	1,030	340	670	960	780	8,450
9 to 11	2,840	2,010	1,060	400	620	1,360	740	9,030
12 to 14	2,840	2,150	1,130	420	940	1,120	840	9,440
15 to 17	2,840	2,270	1,130	460	930	880	670	9,180
<b>Total</b>	<b>51,120</b>	<b>33,090</b>	<b>17,850</b>	<b>7,080</b>	<b>12,840</b>	<b>22,980</b>	<b>12,450</b>	<b>157,410</b>
<b>Before-tax income: \$59,410 or more (Average = \$107,820)</b>								
0 to 2	5,880	2,080	1,920	590	980	3,670	1,650	16,770
3 to 5	5,880	2,070	2,160	500	1,090	4,210	1,750	17,660
6 to 8	5,880	2,680	2,260	530	1,180	3,350	1,930	17,810
9 to 11	5,880	3,000	2,300	610	1,110	3,880	1,880	18,660
12 to 14	5,880	3,080	2,370	650	1,560	4,150	1,980	19,670
15 to 17	5,880	3,220	2,370	730	1,550	5,010	1,810	20,570
<b>Total</b>	<b>105,840</b>	<b>48,390</b>	<b>40,140</b>	<b>10,830</b>	<b>22,410</b>	<b>72,810</b>	<b>33,000</b>	<b>333,420</b>

The U.S. Department of Agriculture states that parents will spend an average of \$245,340 to raise a child that was born in 2013 until the age of 18, not accounting for college savings. Lower income groups will spend an average of \$145,500; higher earners will average \$455,000 to raise a child. The greatest share of these expenses include: 30% for housing; 18% for child care; and 1% for food.

In summary, several factors influence how much is spent to raise a child. The largest factor is clearly the family income.

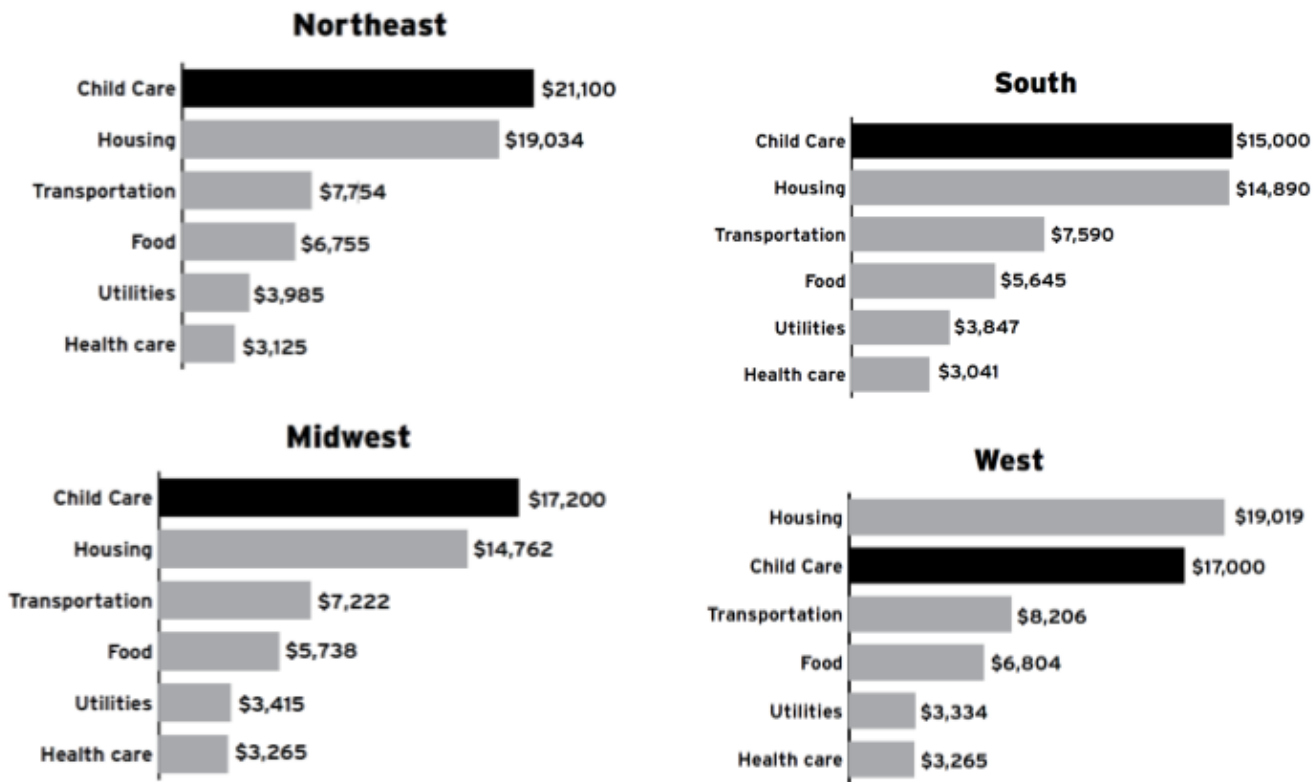
## Child care: taking care of children

The high cost of child care is difficult for many families. Nearly 11 million children under the age of five are averaging 35 hours a week in some kind of child care setting. The U.S. Department of Health and Human Services (HHS) recommends that families spend no more than 10% on child care expenses. In 2013, in 35 states, the average annual cost of child care for an infant was higher than a year's tuition and fees at a four-year public college. In 2014, child care fees for two children (an infant and a four-year old) in a child care center exceeded the annual median rent payments in every state.

In New Mexico, the average annual cost of full-time care at a child care center for an infant is \$7,523; a four-year old is \$6,868; and for a school-aged child is \$3,366 (according to a report by Child Care Aware of America). Also, New Mexico ranks 35th in affordable child care for an infant in a center based on the percentage of state median income for a two-parent family. New Mexico ranks 27th for a four-year old in a center and 25th for a school-aged child.

*The information below was obtained from the Child Care Aware of America Report 2012.*

**Center Care Costs for Two Children Compared With Other Major Household Expenses by Region**



Sources: Child care costs per region based on unweighted averages across states per region, 2011 costs for an infant and 4-year-old in full-time care in a center, Appendix 1. Other household expenses reported by U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey 2010. <http://www.bls.gov/cex/csxregion.htm>

### Cost of college

The cost of a college education varies widely. Will your child attend an Ivy League School, where one year's tuition could cost \$40,000? A private college, where tuition averages \$31,750 for the year? Or a public university, where an in-state resident will pay annual tuition costs of \$9,450? Or another option?

If you are planning for the future, keep in mind a key factor. The historical rates of college tuitions have increased 6% annually over the last 10 years, according to the College Board. That figure is higher than the rates of inflation and personal income have risen in the same period. This is based on a projection that in 2031, tuition for a private college will run about \$90,700, or \$27,000 for an in-state public university.

These costs do not include items such as books, supplies, room and board, equipment, and transportation. Based on the above facts, consider saving early for a college education for your children.

### What if things don't work out?

The next time you are standing in the checkout line of your local grocery store, check out one of the magazines. It will confirm for you that American culture is obsessed with the lives of movie stars, athletes, and politicians. We are never surprised that these people who spend so much of their time in the public eye never seem to have the time to work out their marital troubles. What is shocking is the cost of divorce for these celebrities. Even for the rest of us, the costs associated with divorce can be staggering.

For the average couple seeking a divorce, it is not unreasonable to expect to pay at least \$1,500 for an uncontested divorce. This is a divorce in which both husband and wife agree to separate without fighting over assets or child custody. The costs included in this type of divorce are usually for court costs and filing paperwork to complete the divorce process legally. Unfortunately, most divorces are contested, with one or both parties locked in an emotional war against one another. When this situation arises, the costs can be ridiculously inflated.

A large portion of the expense often goes to pay for lawyer fees, which can range from \$75 to \$400 per hour (depending on the area of the country in which you live). The cost of selling a family home (in which both individuals have equity ownership) can be in the tens of thousands. Therapy may be necessary for either spouse or the children, if there are any; this can be \$45 to \$350 per hour. Sometimes, if the couple owns a family business, an accountant must make a financial analysis of the value of the business and other assets so a proper split can be made. These costs vary but can be up to \$7,500 for a small business. Everything is taken into consideration during this process. Pensions, life insurance policy, property, cash savings, and equity in property become part of the community property of the married couple. It is easy to see that the costs add up quickly; the longer the dispute over “stuff” goes on, the more expensive the final divorce will cost.

### Child support

On the subject of child support and divorce, cost rules are set by the state in which you live. These costs can vary greatly but are normally tied to the amount of time each child spends with each parent during a given month and how much money each parent makes. This added expense can add a large financial burden to each parent. Payments for child support can range from \$200 to more than \$1,000 per child per month, depending on the agreement made by the parents during divorce hearings.

You must take all these factors and expenses into consideration, as life might throw you a curve ball that you never saw coming.

Based on the information covered in this topic, determine how much you think it would cost for each of the following items and in total.

Cost of wedding:

Cost of raising two children from birth to age 17:

Cost of sending two children to a public college:

**Total costs:**