



Media release

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New report busts myth that kids are costing more *Typical family will spend half a million to raise two kids*

Bringing up two children may set parents back more than half a million in today's dollars but it's no more expensive than it was five years ago, according to a new AMP.NATSEM Report on the cost of raising children.

A typical middle income Australian family will spend \$537,000 on raising two children from birth to 21 years equating to 23 per cent of the family income, the same percentage as a broadly comparable family in 2002. However costs have jumped significantly for family essentials such as food and education.

The report draws on an extensive range of data. Using the latest ABS expenditure data, it models three typical Australian families in low, middle and high income brackets and examines their weekly spending as they raise two children from birth until they finish their education and leave home.

"Raising a family is one of the most challenging and rewarding things people can do – it can bring a lot of joy but it does come at a high price," Managing Director of AMP Financial Services, Craig Meller said.

"And it does not get any easier as a child gets older. While a young adult may not need the nurturing of a newborn, they certainly need their parents to have a healthy bank balance. They are the most expensive of all children to raise, and in a middle income family they are costing parents almost three times the cost of raising a baby," Mr Meller said.

The average cost of educating children has increased 60 per cent in the past seven years, almost 2.5 times that of the general consumer price index (CPI)¹ while food has increased 33 per cent, 1.5 times faster than CPI.

Key Findings

- **Food is the biggest expense to families**

At \$107,800, the grocery bill is the biggest expense when raising two children for a typical middle income family. Food costs represent 23 per cent of the total cost of children for the low income family in this report, 20 per cent for the middle income family and 16 per cent for the high income family.

- **The more you earn the more you spend on education**

There is a significant cost gap between lower and higher income families for education. The low income family in this report will spend an average of \$19,200, or 6 per cent of their total income, on educating two children up to year 12. The high income family in this report, who are sending their children through private schools and university, will spend \$161,100, or 21 per cent of their income – more than eight times that of the low income family.

¹ CPI (Consumer Price Index) increased by 25 per cent for the period recorded.

- **Are high income families choosing education over housing?**

Families with children in private schools have higher household expenditure for essentials such as food, health, recreation and clothing but they spend less on housing, \$200 a week compared to \$208 a week for parents with children in public schools.

- **More than 25 per cent is spent on hidden costs**

The cost of recreation, transport, fuel and power, things parents may not factor in to the cost of children, accumulates to just over \$134,000, more than 25 per cent of the cost of raising children for the middle income family. This is almost double the cost of housing for this family.

- **As the child grows, so does their cost**

Young adults aged 18 to 24 who still live at home are the most expensive to raise, costing up to \$367 a week per child or 24 per cent of the weekly budget for middle income families. This is almost three times what it costs to raise a baby.

- **Lower income families hit hardest as children get older**

The increase in the proportion of family income taken up by child rearing costs as a child ages is steepest for low income families. By the time a child is 18-24, low income parents are spending more than a third of their total income on one child (36 per cent) compared to 17 per cent for high income and 24 per cent for middle income families.

- **With both parents working, demand for childcare has risen**

With 60 per cent of both parents in couple families combining employment with raising children, 67 per cent of children aged under three are now in childcare, up from 60.4 per cent in 1996. Over the same period the median weekly hours of care has increased from 12 to 14 hours.

- **The family unit continues to change**

Today's parents are the oldest ever recorded. In 1995, 44 per cent of mums having babies were over age 30 but by 2006 this had risen to 54 per cent. The average age for dads of new babies is now 33.1 years and 30.8 years for mums. But fertility rates are on the rise, increasing from 1.73 babies per woman in 2001 to 1.81 babies per woman in 2006.

NATSEM Director, and co-author of the report, Professor Ann Harding, said although there are economies of scale with larger families, the costs as a proportion of income can be significant.

"As the size of the family unit grows, so does the proportion of weekly income devoted to children. In a low income family with three children, the cost of raising these children will account for more than 46 per cent of the weekly income as opposed to 31 per cent for two children," Professor Harding said.

The report is the 18th edition of the AMP.NATSEM Income and Wealth Report. AMP publishes these reports as a service to the community and its customers, who make up one in four working Australians. A copy of the report is available on AMP's website, <http://www.amp.com.au/>, by following the links from the home page.

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Table 1

Estimated average costs of a single child, by age of child and family income, December 2007

Gross income quintile	Average income	Age of child				
		0 to 4	5 to 9	10 to 14	15 to 17	18 to 24
		\$ pw	\$ pw	\$ pw	\$ pw	\$ pw
Low income (bottom 20%)	\$729	65	97	164	180	260
Middle income (middle 20%)	\$1,538	132	171	253	271	367
High income (top 20%)	\$3,216	255	305	411	433	555
Average	\$1,722	\$144	\$183	\$268	\$286	\$384

Figure 5

Estimated average weekly costs of one child, by age of child and level of family income, December 2007

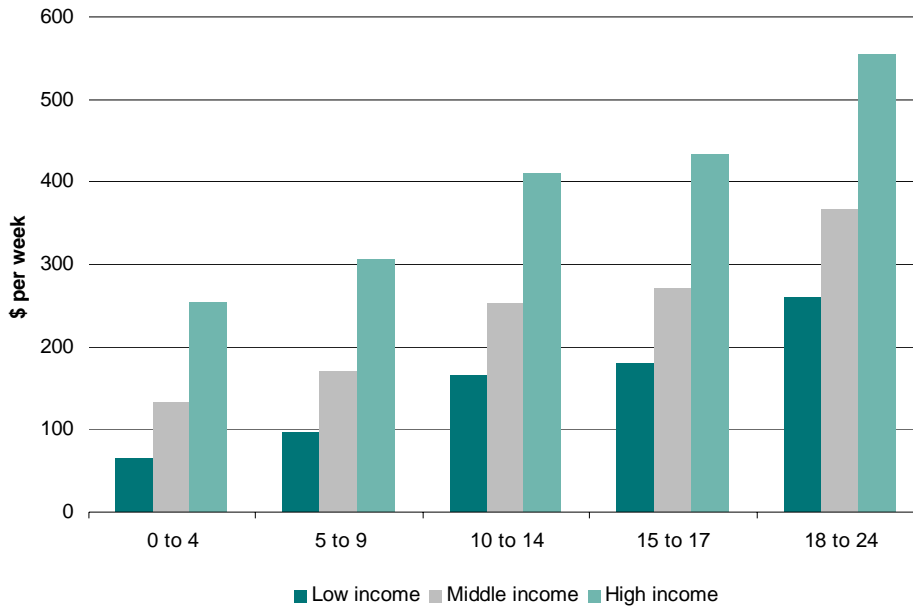


Table 2

Estimated average costs of children, by number of children and level of family income, December 2007

Level of income	Average income	Number of children		
		1 Child	2 Children	3 Children
	(\$pw)	(\$pw)	(\$pw)	(\$pw)
Low income	729	114	231	337
Middle income	1,538	195	366	509
High income	3,216	341	607	815
Average	1,722	209	388	537

Figure 7

Estimated average costs of children as a proportion of income, by number of children and level of family income, December 2007

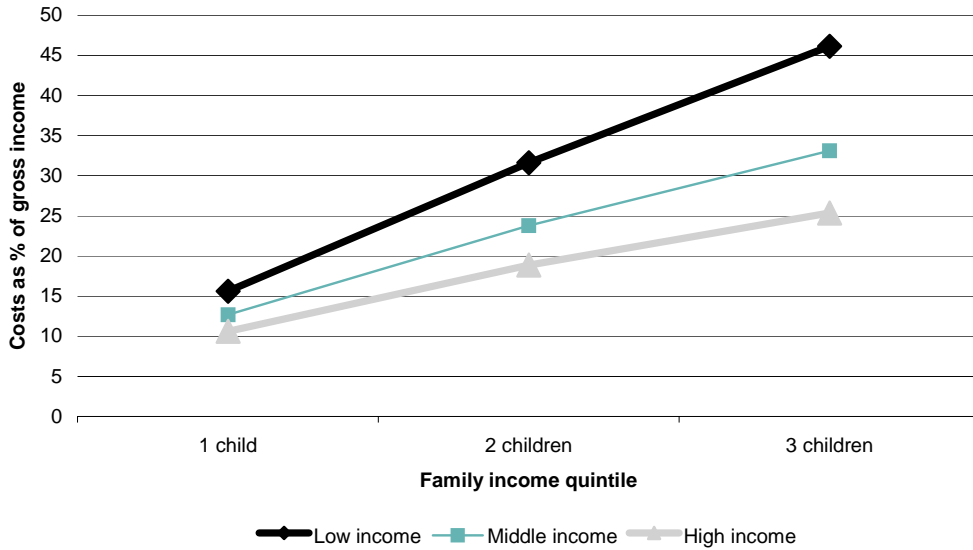
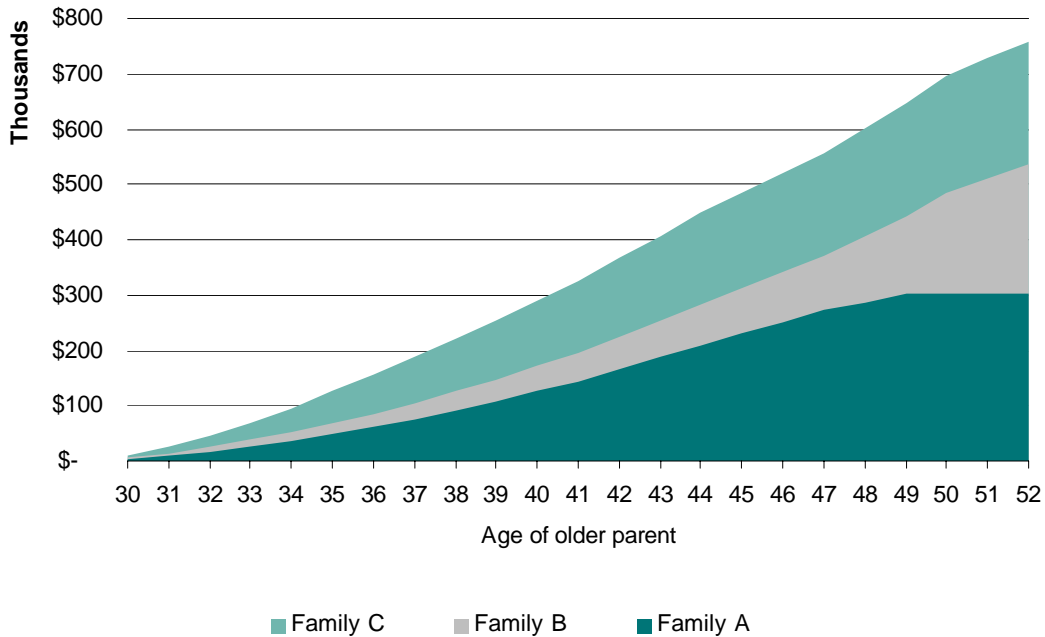


Figure 8

Estimated cumulative costs of raising two children from birth until leaving home in December 2007 dollars**



**Family C is the high income family. Family B is middle income and Family A is the low income family

Table 4

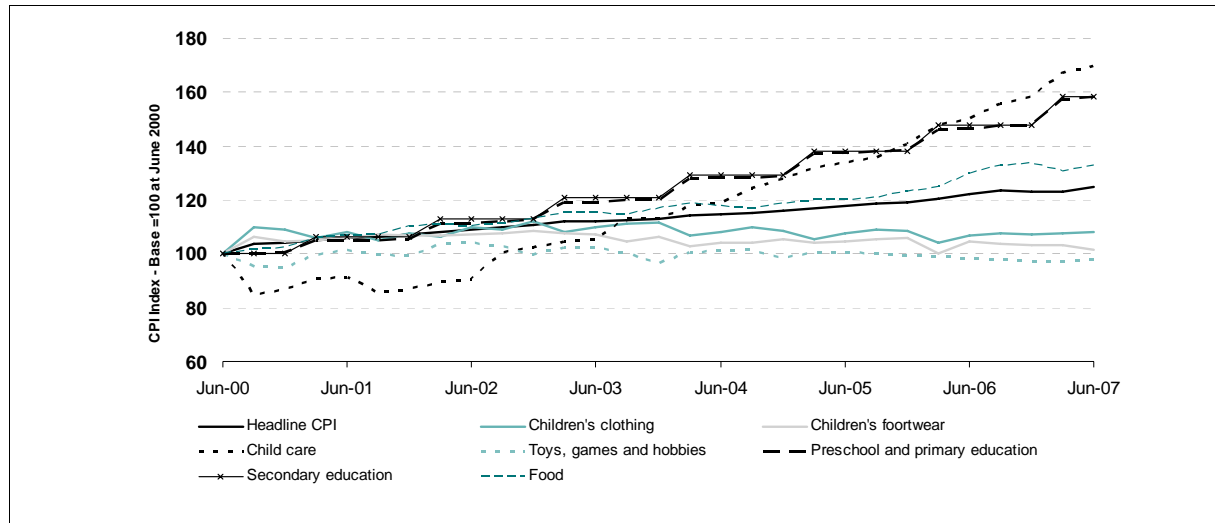
The lifetime shopping bill for two children, from birth until they finish their education, in December 2007 dollars

	Family A	Family B	Family C
Housing	61,200	73,000	59,400
Transport	28,300	64,100	70,000
Recreation	19,300	57,200	88,800
Education & child care	19,200	49,000	161,100
Fuel & power	9,300	13,100	16,600
Food	68,300	107,800	122,900
Clothing	26,500	39,800	50,800
Furnishings & equipment	13,200	27,700	46,800
Services & operations	13,300	25,000	29,100
Health	10,400	27,900	50,000
Other	33,600	52,200	63,900
All	302,600	536,800	759,400

Note: All figures rounded to the nearest \$100. See Technical Notes for more details of the methodology and a description of the families.

Figure 10

Comparing price growth in child related goods, 2001-2007



Note: CPI weighted average of eight capital cities

Data source: ABS Consumer Price Index Australia, Catalogue no 6401.0, Tables 7a to 7l