



# The Cost of Raising Just One Child is Over \$310k

*And that does not include the costs of college, which are skyrocketing too*

If you have a child, you may want to read the recent analysis from the Brookings Institute which details just how expensive raising kids can be. It's downright frightening.

According to the Brookings Institute analysis, the average amount a married, middle-income couple with two children would spend to raise through age 17 is estimated to be \$310,605.

That's over \$18,000 a year, a 9% increase from the previous estimate due to inflation. Again, that \$18,000 per year is per child. Have more than 1 child? Multiply your number of children by \$18,000.

## More Than \$300k Per Child

The analysis states that child-raising costs can vary greatly based on where you live and on the number and ages of children in a household. For example, housing costs are greater in the urban Northeast, urban West and urban South, while lower in the urban Midwest and rural areas.

And as family size increases, costs per child generally decrease. But the analysis makes it abundantly clear – raising children is expensive no matter where you live.

And inflation has made it worse.

## That is Before College Costs

This analysis does not, however, include costs related to college. Today, the average cost for college, which includes tuition, room and board, and supplies is:

- \$54,800 for private colleges;
- \$44,150 for public out-of-state students; and
- \$27,330 for public in-state colleges.

## 529 Plans

529 college savings plans are state-sponsored investment accounts that offer two distinct tax advantages:

1. The potential for earnings to grow free of federal income tax; and

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2. The opportunity for withdrawals to be made free of federal income tax, if funds are used for qualified education expenses, such as tuition, fees, room, and board. Certain state taxes may apply, though. Nonqualified withdrawals may be subject to a 10% federal income tax penalty.

Contribution limits vary by state, and in many states exceed \$300,000. While contributors are not eligible for any federal income tax deductions, some states allow for certain state income tax deductions.

Investment options will vary by plan, but they often include a selection of mutual funds. Generally, diversification – a strategy used to manage risk and maximize potential earnings – of the portfolio's assets is based on the beneficiary's age or number of years until the beneficiary begins college.

### **The Importance of Your Financial Advisor**

The cost of raising children is just one of dozens of variables to discuss during the financial planning process. Other variables include your tolerance for risk, your age, marital status, household income, household expenses, tax liabilities, number of dependents and most importantly, your specific goals.

And just as your household will change from year to year, remember to make sure you review and change your financial planning documents as necessary.

As always, if I can provide you with any information that might help you better plan your financial future, please let me know.

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