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The Cost, in Dollars, of Raising a Child

By [NADIA TAHA](#)

In an article in the Your Money special section we just published about bulletproofing your finances, I wrote about [one big money move](#) that would be awfully beneficial to my bottom line: not having children. For all that we know about how expensive it is to raise a child, however, we don't know exactly how much it costs.

So I decided to come up with an estimate, rough as it is, for what it would cost my spouse and me to have one child. I figure it would run close to \$2 million by the time it was all over. How did I come up with that estimate?

The United States Department of Agriculture Department publishes [an annual report](#) on what families spend on their children, so I used that as a basis for some of my calculations and then tailored them to our own finances and geography. In 2007, The Wall Street Journal [tried to improve](#) upon the government figures, but some of the expenses they included seem based on the budgets of the truly rich, like furniture from Pottery Barn and bottled water delivery.

Without excessive expenditures, surely people like us could raise a child for more than the \$435,030 the government estimates but less than the \$776,000, \$1 million or \$1.6 million guessed at on the pages of the Wall Street Journal. Right?

I had hoped so, but my estimation of what my spouse and I might spend - and, crucially, what we might lose - having a child ended up being more than those estimates.

In order to be as conservative as possible, I stuck with the Agriculture Department's figures for the cost of food, transit, clothing and miscellaneous expenses (personal care items, entertainment, reading materials) for children in a two-parent household in the urban Northeast with a combined income of over \$103,350.

Those costs are higher in New York City, but our earnings are below the average for the category we fall in, and I wanted to be conservative in my calculations. But for housing, health care and child care I changed the numbers to be more specific to where we live. I used the average cost of full-time child care in New York City for the first few years, \$12,750 to \$16,000, according to the [Administration of Child Services](#), and then reverted to the Agriculture Department numbers for child care and education until age 18.

My health insurance plan would charge us nearly \$4,000 more each year for an additional dependent. Co-pays, prescriptions and other therapies could easily cost another \$750 each year. At some point, our hypothetical child would probably have braces as we both did, which costs \$4,000 out of pocket.

To estimate the cost of housing a child, I subtracted our rent from the rent we would pay to live in our neighborhood in a more suitable space -- one with higher security, a more responsive landlord, reliable heat and better stroller-accessibility. Staying in our neighborhood and continuing to rent would keep our other costs in check, especially because of the quality of the public schools here.

Just as our parents paid most of our undergraduate tuition, my husband and I would want to help our child pay for college. To pay for half of the projected tuition at an average-price four-year public university would require we save [\\$5,328 each year from birth to age 18](#), according to BlackRock's college savings calculator.

And since we would probably not cut off our child financially once he or she reached the age of majority, I added the cost of the basics (housing, clothing, food, transportation and health care) between age 18 and 25. Later in life, when this young adult has children, we will still spend money by supporting our grandchildren at a rate of [\\$8,289 every five years](#), the average according to a MetLife study of grandparents' relationships with their grandchildren.

Then there are the losses I would suffer as a working mother: half a year of forgone wages while on maternity leave and [earning 73 percent](#) of what men earn instead of 90 percent like nonmothers (or in my case, the equivalent fraction of my current salary) for the remainder of my career, according to a [Columbia University study](#) on the motherhood wage gap. This doesn't include reduced benefits like 401(k) contributions, but it still adds up to over \$700,000. The flip side of this equation is what economists call [the "fatherhood premium,"](#) which increases a man's earnings about 4 percent.

Of course these expenditures and losses are not the strict minimum required to raise a child - not by a long shot. But if we were to have a child and do what most other parents do by trying to give this new little life the very best start possible, it would probably cost us \$1.8 million including everything I mentioned above.

Then there are other sacrifices to mental health and perhaps fiscal health, too, albeit in ways that are hard to predict. Some of those disadvantages seem readily apparent, like [lower marital satisfaction](#), [higher depression rates](#), plus that ["mommy track."](#)

So did you think about the cost, in dollars, of having a child before you decided to become a parent? Or do you find the whole idea of factoring in it at all to be odd?

This post has been revised to reflect the following correction:

Correction: November 14, 2012

An earlier version of this post misstated the age at which adult children are no longer covered under a parent's health insurance policy. They can be included until age 26; eligibility does not lapse by age 25.

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