

Report fuels debate over cost of raising children

BY CHRIS TRABER
ctraber@yrmg.com

Children are priceless. Yet each has a price tag.

Raising a child is expensive. It's a fact magnified as many parents prepare to outfit their offspring for the new school year, be it elementary, high school or post-secondary.

The debate over just how much it costs to finance a child was fueled by Fraser Institute senior fellow and Nipissing University economics professor Christopher Sarlo, when he published a new study on the subject last week.

Reviewing economic and academic estimates, he concluded these gauges used faulty methods and questionable assumptions to arrive at an average cost in excess of \$10,000 per child, per year.

While parents certainly could spend \$10,000 and more on their children, these estimates simply do not reflect what parents, especially lower income parents, need to spend toward the healthy development of their children, Mr. Sarlo said.

"These cost estimates have a distinct middle-class bias and send a clear message to low-income families that they really cannot afford children. Yet there are millions of Canadian parents, including countless immigrants, who, over the past several decades, have successfully raised happy, healthy and well-educated children on a fraction of the cost," he said.

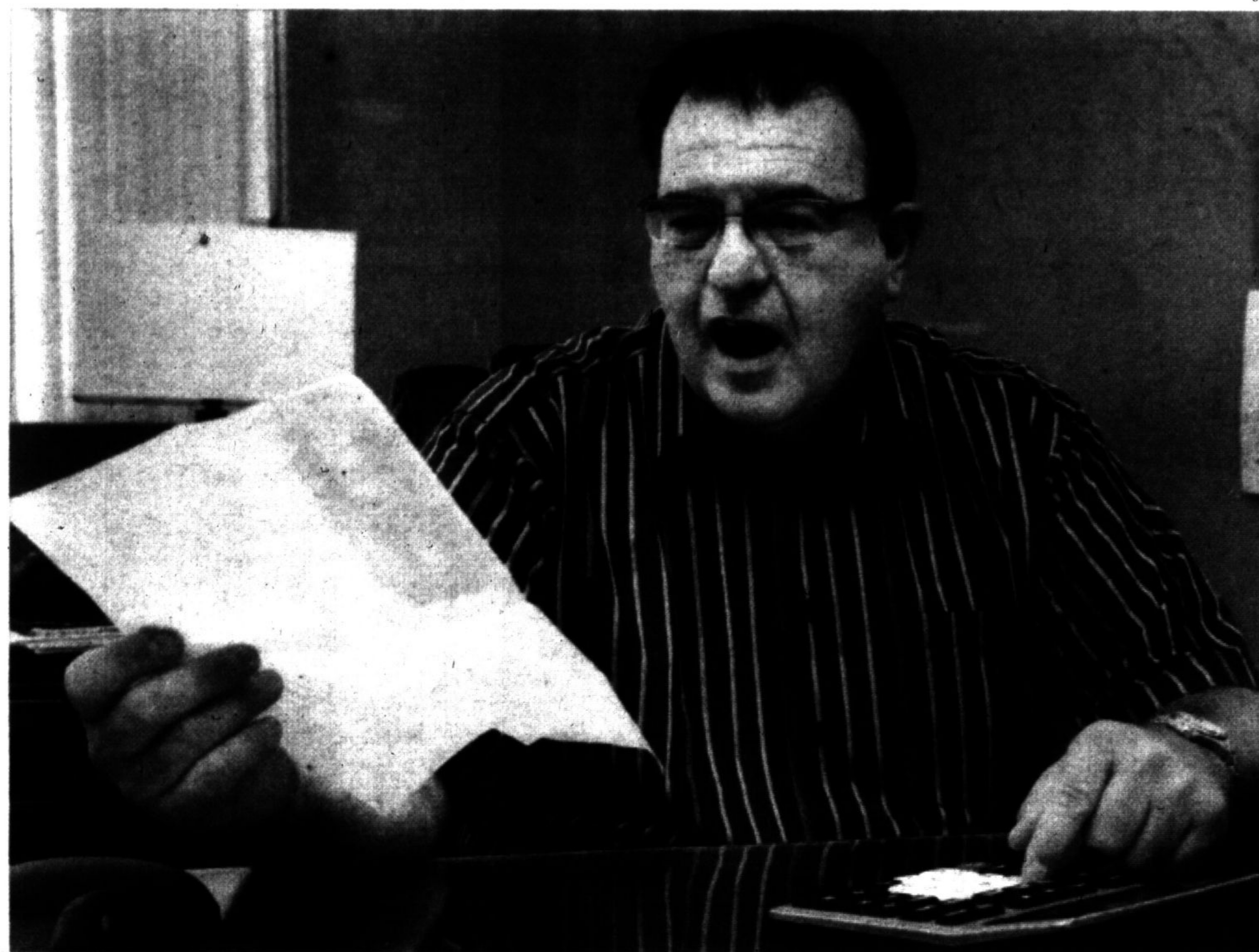
Mr. Sarlo measured the costs of raising a child at a socially acceptable standard of living using a budget-based approach. Citing information from government and social agency sources, including Health Canada's Nutritious Food Basket, he found a starting point for the cost of raising children in Canada today is about \$3,000 to \$4,500 per year, depending on the age of the child. Parents may spend more than that depending on their income, parenting style, level of economic security, marital status and other financial obligations.

Admittedly, Mr. Sarlo's study excludes extracurricular and day-care expenses. It doesn't build in the price of expensive extravagances such as electronics, cellphones, allowances, car insurance and vacation trips.

As such, parents, academics and financial professionals balk at the study's notion you can raise a child on a monthly budget between \$250 and \$375.

The study's estimates evoked a surprised double-take from Wayne Langdon, a married Aurora father of three sons aged 19, 17 and 13.

"Sure," he said of the study's cost projections. "You could feed kids three small meals a day and



STAFF PHOTO/SUSIE KOCKERSCHIEDT

Father of three Wayne Langdon called a Fraser Institute report flawed and bare bones.

not allow them to do anything after school. My sons are all heavily active in sports, so that skews my perception of what it costs to raise children."

In real world terms, the study is flawed, Mr. Langdon said, describing the Fraser report as being bare bones.

"If you want well rounded citizens you have to invest in your children," the volunteer baseball and hockey coach said.

Seneca College accounting and financial services professor Sam Albanese agreed.

"It comes down to the quality of life you want to give your children," the father of four said. "The study's \$3,000 to \$4,500 isn't far off if you feed your kids peanut butter sandwiches and Kraft dinner. We can all live on less, no doubt, but the Fraser report is a bottom-line, ground-zero study."

From a parental and professional perspective, David Noronha is in tune with the cost of raising kids.

The BDO Canada Limited Newmarket branch vice-president and trustee has a son in college and a daughter in Grade 12. He's also a longtime professional with the national accounting firm offering personal and commercial insolvency services.

While most studies survey the new born to 18 cohort when esti-

► Go to YorkRegion.com for the full story.

► How much do you think it costs to raise a child? Send your opinion to jmason@yrmg.com

imating the financial tally of raising children, he is seeing more parents getting stretched or going into debt to bankroll their children's post-secondary education.

Most of the fiscally troubled are parents who didn't plan ahead, most notably with a federal government tax-sheltered registered education savings plan that matches up to 20 per cent of your contribution to a maximum of \$50,000 per beneficiary.

More parents are deferring their retirement by underwriting their kids' college or university studies, he said.

They are forced to dip into line of credits or the equity in their homes, Mr. Noronha said.

As parents, professors and professionals, the three men all concur any calculation on the cost of raising children must include post secondary education and early planning to ensure the money will be available.

Mr. Langdon, a Newmarket-based Spectrum Educational Supplies sales director, established an

RESP for each of his sons. He's also a proponent of teaching children financial literacy and having summer and part-time jobs.

His boys contribute 25 per cent of their earnings to their RESPs.

He estimates his oldest son's four-year Ryerson University civil engineering education, including tuition, residency and books will top \$80,000.

"The sooner you start an RESP, the more you accumulate," said Mr. Albanese, co-author of newly published, *Right Answers*, about making good financial decisions in retirement.

Based on \$6,000 per year for a post secondary certificate and up to \$10,000 annually for a degree, plus costs to age 18, the Fraser findings don't reflect reality, he said.

Mr. Noronha believes the Fraser study omits parental expenses related to summer camps, rep sports and other perks and incidentals.

"Most parents with the wherewithal will give in to their kids," he said. "Don't forget the costs of a child turning 16. That's the worst part when they begin driving and need insurance."

Mr. Albanese remains philosophical.

"Your first child is usually the most expensive," he said. "There are incremental savings as you have more because of the hand-me-downs. Still, it's not cheap. I've got four kids and I believe in Free-

THE COST OF RAISING KIDS TO AGE 18

► The average cost of raising a Canadian child to age 18 is a more than \$243,000. Do the math and that's \$13,536 per child, per year or \$1,125 per month. After that, you can look forward to footing university costs.

► It'll cost \$48,760 just to put food in their mouths and clothing on their backs.

► The cost of shelter for one child, including furnishings and household operations, comes to \$2,720 per year. Add up the expenses until age 18 and it will end up costing you \$51,680 to put a roof over your child's head.

► The more you earn, the more you'll lavish on your kid. A family earning an average of \$38,000 will spend \$169,000 on their child. Families with incomes in the \$80,000 range will spend \$234,000 and high earners with incomes more than \$180,000 will shell out \$389,000.

—Sources: *MoneySense.ca*, *US Dept. of Labor Consumer 2011 Expenditure Survey*

dom 55. You'll be free when your kids turn 55."

How to save on kid costs

- Invest early in a RESP and in \$5,000 maximum per year tax-free savings accounts.

- Cut costs by breast feeding if you can instead of buying formula, using cloth diapers and looking for hand-me-down clothing, toys and other miscellaneous items.

- Mandatory expenses such as a brand new crib, car seat, stroller, high chair and baby gates can cost you big bucks. Start your search for these items by asking friends, family, co-workers or neighbours who have recently had children. They might be willing to sell, lend or even give you the items that you seek. Make sure to check out eBay, Craigslist, Kijiji and neighbourhood yard sales for deep discounts on these expensive items.

- If both parents work full-time, the cost of daycare will most likely be the biggest expense in raising a child, with costs ranging anywhere from \$700 to \$1,100 per month, per child, depending on your city. It can pay to do your research and get on waiting lists as early as possible.

- Make your kids money savvy and teach them the value of a dollar through financial literacy.

—Sources: *MoneySense.ca*, *US Dept. of Labor Consumer 2011 Expenditure Survey*