

# Minnesota Legislative Commission on the Economic Status of Women

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## EXPENDITURES ON CHILDREN BY FAMILIES

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### DATA SOURCE

*Expenditures on Children by Families, 2001 Annual Report.*  
United States Department of Agriculture, Center for Nutrition Policy and Promotion

### BACKGROUND INFORMATION

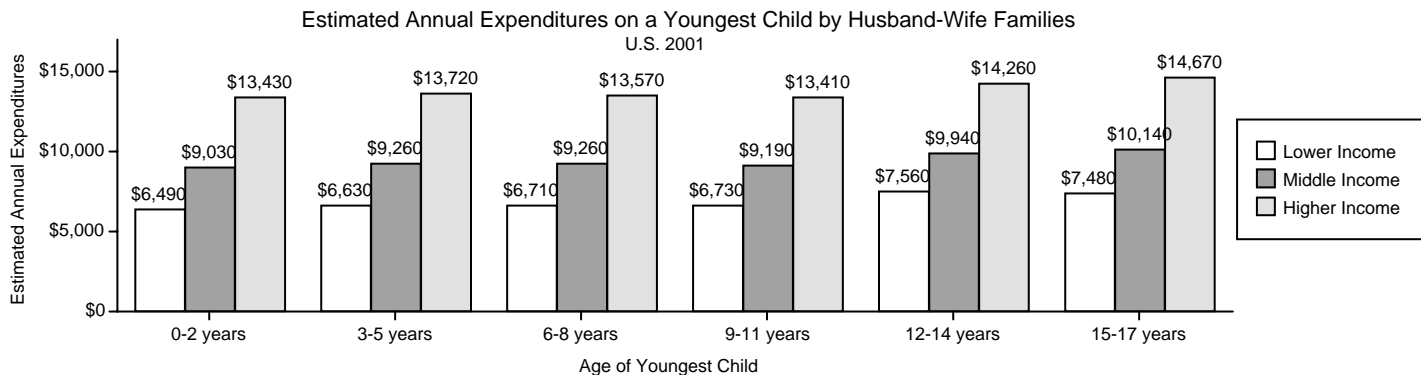
Since 1960, the United States Department of Agriculture (USDA) has provided annual estimates of expenditures on children from birth through age 17 years by husband-wife and single-parent families. Results of this study are used in developing state child support guidelines and foster care payments as well as in family educational programs.

The estimates of annual and total expenditures on children are based on the 1990-1992 Consumer Expenditure (CE) Survey. The CE Survey collects information on sociodemographic characteristics, income, and expenditures of a nationally representative sample of households and is the most comprehensive source of information on household expenditures available at the national level. The survey was updated to 2001 dollars using the Consumer Price Index (CPI). Households with two children were used as the base in this study since this was the average number of children in families.

Estimated household and child specific expenditures were allocated among family members if applicable. Estimates of expenditures were provided by major components of the budget, age of child, and family income.

## ANNUAL EXPENDITURES ON A YOUNGEST CHILD BY FAMILY TYPE AND AGE OF CHILD

### ANNUAL EXPENDITURES ON A YOUNGEST CHILD BY HUSBAND-WIFE FAMILIES



The income groups of husband-wife families were determined by dividing the overall sample equally into thirds. Before-tax 2001 income was used in all income categories.

- ◆ Lower income: less than \$39,100 per year (Average = \$24,400)
  - ◆ Middle income: \$39,100 to \$65,800 per year (Average = \$52,100)
  - ◆ Higher income: more than \$65,800 per year (Average = \$98,600)
- Husband-wife families with two children were used as the standard.

Estimated annual child-rearing expenses of husband-wife families varied widely by household income level.

- Estimated annual child-rearing expenses on a youngest child for husband-wife families in the lower income group ranged from \$6,490 to \$7,560.
- Estimated annual expenses on a youngest child for husband-wife families in the middle income group ranged from \$9,030 to \$10,140.
- Estimated annual child-rearing expenses on a youngest child for husband-wife families in the higher income group ranged from \$13,410 to \$14,670 and were approximately double the expenses of lower income families.

In general, annual expenditures on children increased for husband-wife families as the age of the youngest child increased.

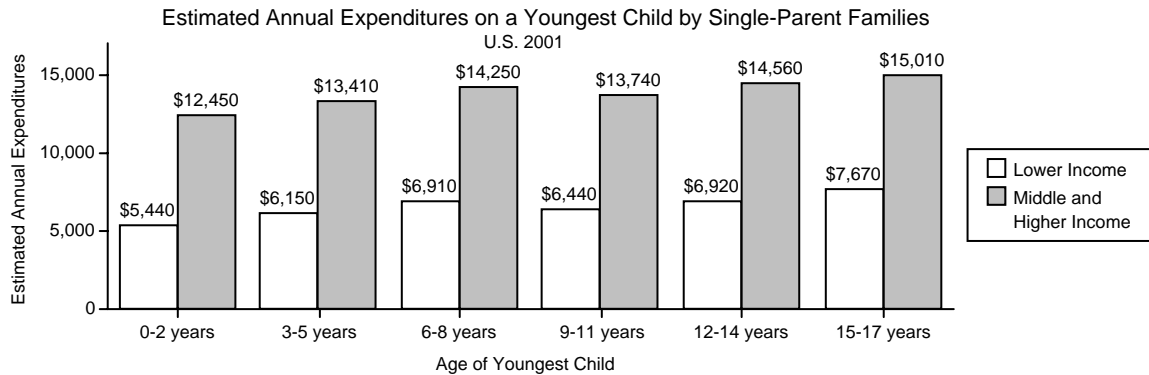
- Expenditures were generally lower for younger children. Estimated annual expenditures were lowest for a youngest child age 0 to 2 years for lower and middle income families. Higher income families had the lowest expenditures for a youngest child age 9 to 11 years, closely followed by expenditures for a youngest child age 0 to 2 years.
- Expenditures were highest on teenage children for husband-wife families of all income levels. Estimated annual expenditures were highest for a youngest child age 12 to 14 years in lower income families. In middle and higher income families expenditures were highest for a youngest child age 15 to 17 years.

Husband-wife families spent more or less on a child depending on the number of other children in the household.

- Husband-wife families with two children spent approximately the same amount on an older child as they did on a youngest child by age. *Example: A middle income, husband-wife family with two children ages 2 and 10 years had total estimated annual expenditures of \$18,220 (\$9,030 + \$9,190) in 2001.*
- Husband-wife families with one child had estimated annual expenditures that were 24 percent higher per child compared to families with two children. *Example: A higher income, husband-wife family with one child age 6 years, had total estimated annual expenditures of \$16,827 (\$13,570 x 1.24) in 2001.*
- Husband-wife families with three or more children had estimated annual expenditures that were 23 percent less per child compared to families with two children. *Example: A middle income, husband-wife family with three children — ages 4, 9, and 12 years — had total estimated annual expenditures of \$21,860 [(\$9,260 + \$9,190 + \$9,940) x .77] in 2001.*

## ANNUAL EXPENDITURES ON A YOUNGEST CHILD BY FAMILY TYPE AND AGE OF CHILD

### ANNUAL EXPENDITURES ON A YOUNGEST CHILD BY SINGLE-PARENT FAMILIES



Single-parent families were divided into two income levels instead of three levels because only 17 percent of single-parent families had before-tax 2001 incomes of more than \$39,100. Before-tax income was used in all income levels. Income includes child support payments.

- ♦ Lower income: less than \$39,100 per year (Average \$16,400)
- ♦ Middle and Higher income: \$39,100 or more per year (Average = \$52,000)
- Ninety percent of single-parent families in this study were female-headed.
- Estimates of expenditures by single-parent families only includes the out of pocket expenses of the parent with primary care of the child.

Estimated annual child-rearing expenditures of single-parent families varied widely by household income level.

- Estimated annual child-rearing expenses ranged from \$5,440 to \$7,670 on a youngest child for single-parent families in the lower income group.
- Estimated annual expenses on a youngest child for single-parent families in the middle and higher income group ranged from \$12,450 to \$15,010 and were approximately double the expenses of lower income families.

Expenditures on children generally increased with the age of the youngest child.

- Expenditures were lowest for a youngest child age 0 to 2 years for single-parent families of all income levels.
- Expenditures were highest for a youngest child age 15 to 17 years for single-parent families of all income levels.

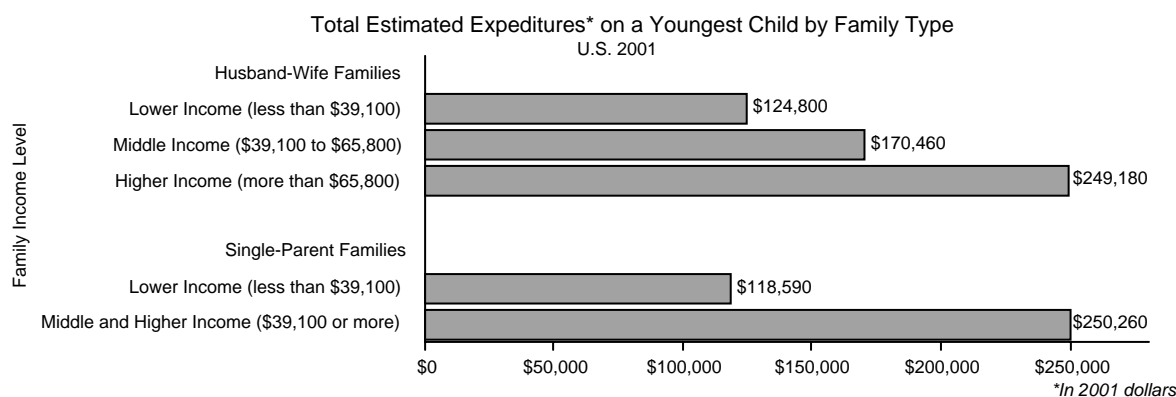
Single-parent families spent more or less on a child depending on the number of other children in the household.

- Single-parent families with two children spent approximately 7 percent less on an older child as they did on a youngest child by age. *Example: A lower income, single-parent family with two children ages 2 and 10 years had estimated annual expenditures of \$11,429 [ $\$5,440 + (\$6,440 \times .93)$ ] in 2001.*
- Single-parent families with one child spent an estimated 35 percent more per child. *Example: A middle or higher income single-parent family with one child age 6 years had estimated annual expenditures of \$19,238 [ $\$14,250 \times 1.35$ ] in 2001.*
- Single-parent families with three or more children had expenditures that were 28 percent less per child. *Example: A lower income, single-parent family with three children - ages 4, 7, and 9 years - had total estimated expenditures of \$14,040 [ $(\$6,150 + \$6,910 + \$6,440) \times .72$ ] in 2001.*

## TOTAL EXPENDITURES ON A YOUNGEST CHILD BY FAMILY TYPE

Estimated total expenditures are composed of direct parental expenses made for a child from birth through age 17 years. Estimated total expenditures on a youngest child born in 2001 are shown in the chart below in 2001 dollars.

*Expenditures do not include: adoption, fertility, and prenatal and birth care costs; funds given to child from outside of the immediate family (e.g., grandparents); college costs; and other parental expenses on children after age 17 years.*



Expenditures on children were similar between single-parent and husband-wife households of comparable income levels. However, since the average income in single-parent households was much lower, child-rearing expenditures consume a greater percentage of income for single-parent families.

- Total expenditures on a youngest child from birth through age 17 years were \$124,800\* for lower income husband-wife families compared to \$118,590\* for single-parent families of the same income level. These expenditures were approximately one-half of the expenditures on a youngest child of higher income families.
- For higher income husband-wife families total expenditures on a youngest child from birth through age 17 years were \$249,180\* compared to \$250,260\* for middle and higher income single-parent families.

\*Note: In 2001 dollars

## TYPES OF CHILD-RELATED EXPENDITURES

Estimated expenditures on children are composed of direct parental expenses made on children for the major budgetary components represented in the chart below.

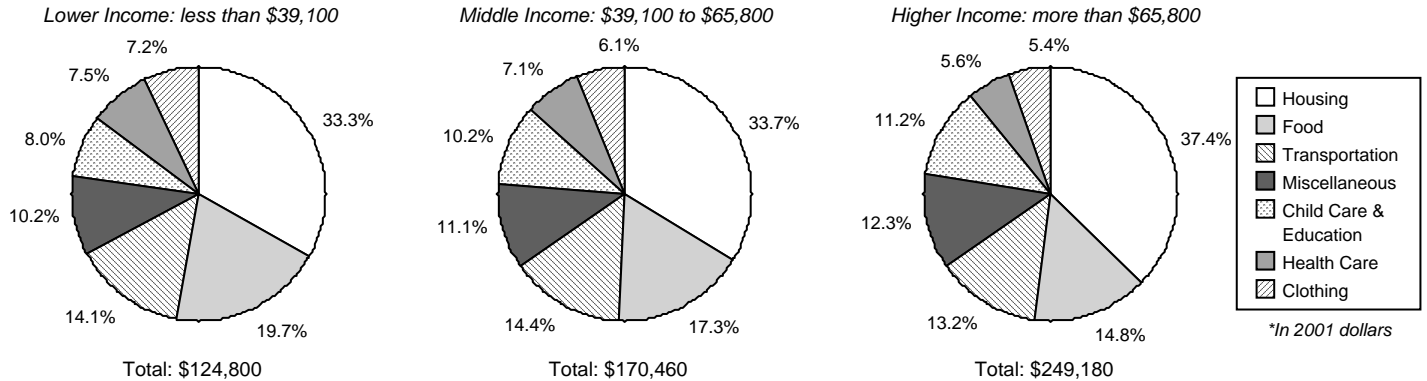
Type of Expense	Explanation of Expense
Housing	Shelter (mortgage interest*, property taxes, or rent; maintenance and repairs; and insurance), utilities (gas, electricity, fuel, telephone, and water), and house furnishings and equipment. *Does not include mortgage principal payments
Food	Food and nonalcoholic beverages purchased at grocery, convenience, and specialty stores, including purchases with food stamps, dining at restaurants and household expenditures on school meals.
Transportation	Net outlay for purchase of new and used vehicles, vehicle finance charges, gasoline and motor oil, maintenance and repairs, insurance, and public transportation.
Clothing	Children's apparel such as diapers, shirts, pants, dresses, and suits; footwear, and clothing services such as dry cleaning, alterations and repair, and storage.
Health Care	Medical and dental services not covered by insurance, prescription drugs and medical supplies not covered by insurance and health insurance premiums not paid by employer or other organization.
Child Care	Child care and education expenses include day care tuition and supplies; baby-sitting; and elementary and high school tuition, books, and supplies.
Miscellaneous	Personal care items, entertainment, and reading materials.

## DISTRIBUTION OF TOTAL EXPENDITURES ON A YOUNGEST CHILD BY FAMILY TYPE

Estimates of expenditures are based on interviews of households with and without specific expenses, so for some families their expenditures may be higher or lower than the estimates, depending on whether they incur the expense or not. This particularly applies to child care and education for which about 50 percent of families in the study had no expenditure.

### DISTRIBUTION OF TOTAL EXPENDITURES ON A YOUNGEST CHILD BY HUSBAND-WIFE FAMILIES

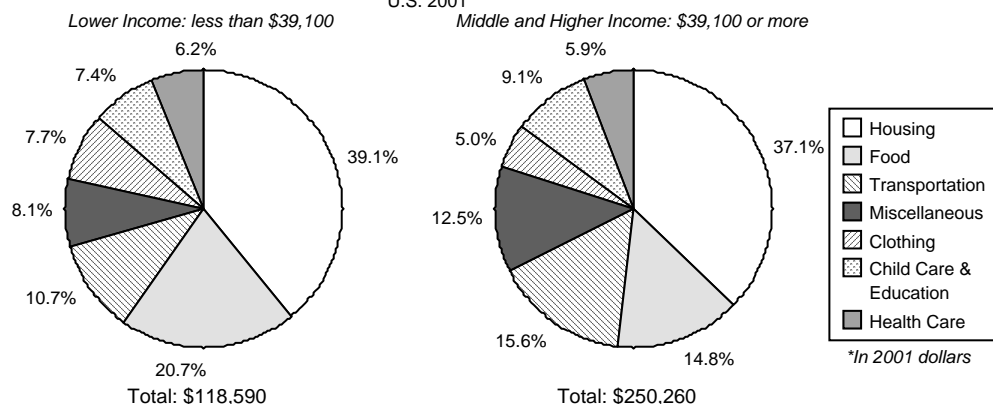
Distribution of Estimated Total Expenditures on a Youngest Child by Husband-Wife Families  
U.S. 2001



- Housing accounted for the largest share of expenses across income levels ranging from one-third (33.3%) to just under two-fifths (37.5%) of total estimated expenditures of husband-wife families. Higher income husband-wife families will spend an estimated \$93,180\* on housing expenses for a child from birth through age 17 years. This is more than double the estimated amount low-income families will spend (\$41,520\*). \*Note: In 2001 dollars
- Food was the second largest expense for husband-wife families regardless of income level, accounting for 14.8 percent to 19.7 percent of total child-rearing expenses.
- Transportation was the third largest average expense ranging from 10.2 percent to 12.3 percent of total child-rearing expenses.
- Clothing was the lowest estimated total expenditure on a child for husband-wife families of all income levels.

### DISTRIBUTION OF TOTAL EXPENDITURES ON A YOUNGEST CHILD BY SINGLE-PARENT FAMILIES

Distribution of Estimated Total Expenditures\* on a Youngest Child by Single-Parent Families  
U.S. 2001



- Housing accounted for the largest share of expenses across income levels ranging from 37.1 percent to just under two-fifths (39.1%) of total estimated expenditures on a child of single-parent families.
- Food was the second largest average total expense for husband-wife families regardless of income level, accounting for 14.8 percent to 20.7 percent of total child-rearing expenses.
- Transportation was the third largest average expense ranging from 10.7 percent to 15.6 percent of child-rearing expenses.
- Health care was the lowest estimated total expenditure for single-parent families of all income levels.