



LV= Cost of a Child: From cradle to college

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Sources:

The cost of a child calculations, from birth to 21 years, have been compiled by the Centre of Economic and Business Research (CEBR) for LV= in December 2012 and is based on the cost for the 21 year period to December 2012.

The report also includes omnibus research conducted for LV= by Opinium Research from 11 - 13 December 2012. The total sample size was 2,013 UK adults. Results have been weighted to a nationally representative criteria.



If you love it, LV= it

2013 Report



For the last ten years protection specialist LV= has calculated the cost of raising a child from cradle to college, from birth to 21 years old. And we can see that the costs associated with raising a child have changed significantly over that time.

Since we first published our report ten years ago, the cost of raising a child has increased by 58%, from £140,000 in 2003, to over £222,000 today. With the Government cutting back on the benefits and local services provided, and the advent of higher university tuition fees, the costs associated with raising a family are set to remain a pressure point for families across the UK.

In our 'Cost of a Child' report 2013 we look at the different costs associated with raising a child; how this has changed over the last ten years; and what parents are doing to help balance the budget. We also look at the cost of raising a child in different areas of the UK, and at what age children are at their most expensive.

Childcare and education remain the two most costly aspects of raising a child, and parents now pay 61% more for childcare than they did ten years ago. Rising university fees means the amount parents put towards their children's education on average has increased by 124%.

Seeing the cost of raising a child in its entirety can help people think about how to secure their family's financial future should anything unexpected happen. At LV= we're committed to helping people look after what they love in life, and for parents their children will be at the top of the list!

Mark Jones,
LV= Head of Protection



The cost of raising a child has risen 58% since LV='s first report in 2003 when the cost of raising a child was £140,398

Cost of raising a child soars to £222,458

That's
£10,593 a year

£883 a month

£29 a day

Breakdown of the costs of raising a child, compared to last year and ten years ago

Category	Ten years ago: 2003	Last year: 2012	This year: 2013	% difference from last year	% difference from 2003
Education*	£32,593	£71,780	£72,832	1.5%	123.5%
Childcare & babysitting	£39,613	£62,099	£63,738	2.6%	60.9%
Food	£14,918	£18,667	£19,270	3.2%	29.2%
Clothing	£11,360	£10,781	£10,770	-0.1%	-5.2%
Holidays	£11,458	£15,532	£16,195	4.3%	41.3%
Hobbies & Toys	£8,861	£9,248	£9,316	0.7%	5.1%
Leisure and Recreation	£6,366	£7,303	£7,353	0.7%	15.5%
Pocket money	£3,386	£4,337	£4,458	2.8%	31.6%
Furniture	£2,074	£3,373	£3,462	2.6%	66.9%
Personal	£925	£1,143	£1,155	1.0%	24.9%
Other	£8,845	£13,761	£13,909	1.1%	57.3%
Total	£140,398	£218,024	£222,458	2.0%	58.4%

*Does not include private school fees

Sending a child to private school would add on average £106,428 for a child attending day school, or £195,745 for a child boarding at school, to the overall cost of raising a child.

How much does it cost to raise a child where you live?

Region	2003	2013	Difference
North East	£127,294	£206,495	62%
North West	£131,151	£215,285	64%
Yorkshire & Humber	£123,630	£213,123	72%
East Midlands	£136,960	£217,868	59%
West Midlands	£129,889	£228,220	76%
East of England	£143,944	£233,363	62%
London	£158,411	£239,123	51%
South East	£151,394	£237,233	57%
South West	£128,123	£228,200	78%
England	£140,407	£223,008	59%
Wales	£140,473	£207,120	47%
Scotland	£135,200	£225,338	67%
Northern Ireland	£140,314	£232,883	66%
Average United Kingdom	£140,398	£222,458	58%

London and the South East of England remain the most expensive places to raise a family. However, families in the South West have seen the biggest rise in the cost of raising a child (78%) over the last ten years. The South West has overtaken the East of England as the third most expensive place to raise a child. Those in Wales have seen the smallest rise at 47%.

On average it is more expensive to raise a child in Northern Ireland than England, Wales and Scotland. The North East of England is now the most cost effective place to raise a child in the UK.

The cost of raising a child - which are the most expensive years?

Age	Cost: 2013	% increase
First year	£10,526	42.8%
Years 1 to 4	£58,020 (£14,505 a year)	50.2%
Years 5 to 10	£47,147 (£7,679 a year)	52.8%
Years 11 to 17	£53,920 (£7,536 a year)	59.8%
Years 18 to 21	£52,845 (£17,459 a year)	77.3%
Total	£222,458	58.4%

The most expensive years of raising a child on average are between the ages of 18 to 21, when a child enters higher education. This is when many parents make a significant financial contribution to their child's tuition fees and living costs. This is followed by children aged one to five, when they are constantly growing out of clothes and have the greatest need for childcare.



Family finances are feeling the pinch

With rising living costs outstripping any increases in wages, many parents are having to reassess the family budget. Mums and dads all over Britain are tightening their purse strings, with more than a quarter cutting back to make ends meet. While many are reining in spending on luxuries such as holidays (45%), more than a quarter are also cutting back on how much they spend on essentials such as food (27%).

Of those parents who are cutting back, 68% have switched to buying cheaper or value goods. Vouchers and discount codes are also popular, with 56% of parents using them to cut shopping bills. However, 40% are trying to boost their income, by selling personal items on online or at car boot sales.

Over a third (35%) are spending less on treating their partners to gifts or nights out.



The amount given to children as pocket money until they reach 21 has risen by 28% over the last decade, from £3,386 in 2003 to £4,458 today

Pocket money

The amount of pocket money given to children up to the age of 21 has risen by 28% over the last decade, from £3,386 in 2003 to £4,458 today.

Of those parents who give pocket money to their children, 13% have taken the decision to reduce the amount their child receives in the last year, to help stretch the family budget further.

However, the amount of pocket money given to children has increased by 2.8% on average in the last year.

Protecting the family's financial future

Many cash-strapped families are responding to financial pressures by saving less and spending less. Two-fifths (40%) of parents have slashed the amount they are stashing in savings accounts and a further 26% (up from 22% last year) have cancelled or reviewed insurance policies to try to save money.

Almost half (47%) of parents have no life cover, income protection, or critical illness cover in place. And while 36% of parents do have life cover, only 11% have critical illness cover and a meagre 6% have income protection.

Education costs soar

When this report was first published childcare was the most expensive aspect of raising a child, but in recent years education has overtaken it, with the costs associated with going to school and university increasing by 124%, from £32,593 in 2003 to £72,832 today.

With universities now able to charge up to £9,000 a year in tuition fees, supporting a child through university could now add more than £41,000 to parents' education bill.

It is a considerable financial pressure for parents and their children which has had a significant impact on people's attitude to higher education:

49%

of parents who thought their child would go to university still hope their child will go despite the increase in fees

19%

of parents who thought their children would go to university have now said they will not because of the increase in tuition fees

The costs associated with going to school and university increased by

124%

in the last decade





The iPad generation

Forget dolls and train sets, today's children want the same toys as their parents, adding to the expense of raising a child. More than a quarter (27%) of parents have bought their child an electronic gadget in the last 12 months, with 16% forking out for an iPad/tablet or a laptop. The average yearly amount parents spend on gadgets for their child is £302.



Over the last ten years the cost of raising a child has grown considerably, and it's clear that parents would rather sacrifice the amount they spend on themselves than radically reduce the amount they spend on their children. Against a backdrop of shrinking wages and economic uncertainty, we've seen the cost of raising a child steadily increase since our first report in 2003, and this trend shows no sign of slowing down. In fact if costs continue to rise at the same pace, in ten years time parents could face a bill of over £350,000 to raise a child.

The cost of raising a child isn't necessarily the first thing parent's think about when deciding to have a family, and regardless of the cost, people wouldn't change having children for the world.

We know parents are making cutbacks to make their money go further. But I would urge families considering cancelling insurance such as life cover or income protection as a way to save money now to think long term. This can have catastrophic implications on the family's finances if either parent becomes unable to work or is no longer around. It is essential parents make sure they financially protect themselves and their family, and seek professional advice to talk about what best suits their needs.

Protection insurance often costs less than people think, and whether to take out cover is one of the most important financial decisions people will ever make.



Mark Jones,
LV= Head of Protection

