

The million dollar family...

Can you afford your kids?

Here's a scary statistic! A leading Australian demographer¹ estimates the total cost to parents of raising the average number of children (2.7) to independence (at 24) is \$1,028,000.

That's right! A million dollars to raise the average family...

And that's assuming your family is 'average' and they have attained financial independence by age 24! In a growing generation of SLOPS (singles living off parents) you can see the financial impact on parents can be significant.

Of course parenting is the most important and rewarding role we will ever perform - our children are our future - but financial security is also important for both our own and our children's future.

The impact of generational change

According to the AMP.NATSEM report the cost of raising kids has increased by 50% in 5 years. During the same period household incomes have risen by 25%. Clearly there is an imbalance.

Generational changes have been identified as key contributors to the rising costs of raising kids in areas such as:

Paid activities outside the home

Many kids now attend multiple paid activities out of school. Combined with a shift to paid family recreational activities, events and travel as opposed to the picnics etc of yesteryear you can see why recreation and entertainment is the third biggest expenditure for the average household.

Changing classroom habits

You expect private education to be costly but as tablets replace books even the cost of public education is increasing (\$63K per child in metro areas and \$52K in regional areas per school life).

The great toy explosion!

The average household with dependants has over 100 toys and 96% of parents spend more than \$100 per child, per year on toys. Worse still, two thirds of these toys are discarded when they are no longer used!

Consumer electronics

Most family members now have multiple electronic devices – and upgrade them regularly. In fact, Gen Z is the most materially supplied generation ever!

So WHAT can you do to help you manage AND get ahead?

In a world of increasing costs across housing, utilities, food, childcare etc the impact of these new trends bites even harder. It would be easy to simply say "stop buying stuff!"

Better still? PLANNING is the key! Ideally this should involve PLANNING AHEAD before having children and regularly reviewing your plans for a secure financial future as life changes occur.

BEFORE you start a family

Create a budget. Learning to live within a budget is an excellent habit to create before kids come along.

Get ahead of the game. If buying a home consider borrowing less than you can afford and make higher

repayments. If you have an offset account, use it for the extra payments. You'll reduce your loan interest but still have access to the funds later.

Review your financial goals

Believe it or not there are a number of 'life events' that could provide an opportunity to get ahead, eg Mum going back to work, no more childcare fees, a higher paying job or kids leaving school. Too often the savings or gains we incur get swallowed up in 'living'.

It is VITAL that you contact us to review your financial goals and chat about your options to use those 'life event' savings to help build your financial future.

Doting grandparents

Grandparents often wish to help. A trust account built over the life of a grandchild could assist them into the property market by the time they reach adulthood. It's important to speak to a financial advisor to explore options that will not impact taxation or Centrelink entitlements.

Lastly... Protect your family

Remember the role of insurance in protecting your family's future. It is no longer a luxury - it provides a very necessary safety net. Consider life insurance (death benefit + TPD), trauma cover and income protection insurance.

Call the office if you would like a chat about your financial future and how to manage your life changing circumstances. We can recommend our favourite financial planner to help you.

1. All statistics sourced from mcrindle.com.au/cost-of-parenting



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Steve Hough/Jacquie Saville

ASCEND Financial Freedom

m:0438 934 700 / 0411 391 492

w:ascendfinancialfreedom.com.au

f:facebook.com/AscendFinancialFreedom

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