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Family Finances

How Do Families with and without Children Differ?

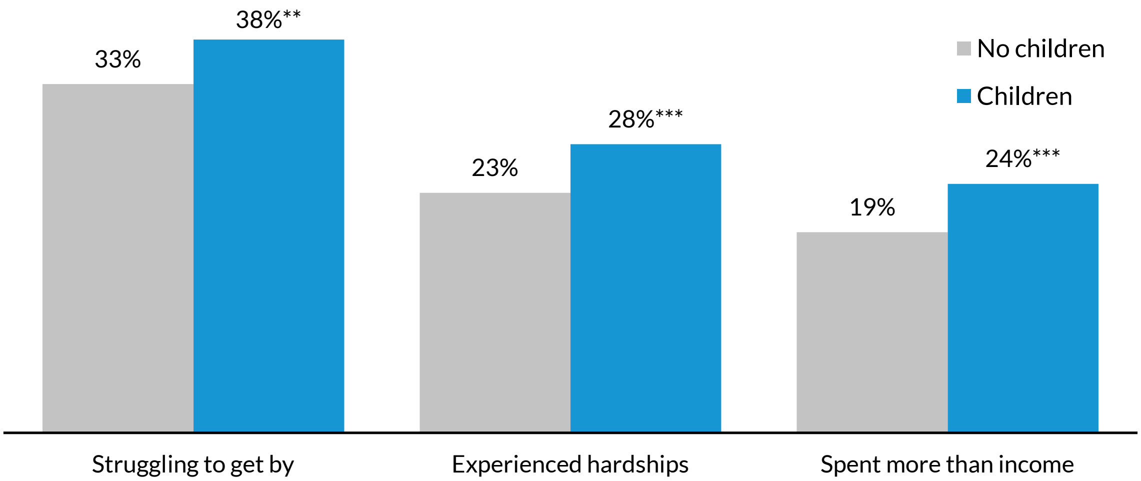
Emma Kalish

April 2016

Many families are in financial distress, and families with children are especially vulnerable. Thirty-eight percent of families with children under age 18 living at home are struggling to get by, compared with 33 percent of families without children at home (figure 1). Financial distress can arise from a range of factors, from a specific hardship—28 percent of families with children experienced a financial hardship in the past year, compared with 23 percent of families without children—to a simple lack of sufficient income. Twenty-four percent of families with children spent more than their income last year, compared with 19 percent of families without children.

FIGURE 1

Households with Children Are More Likely to Struggle Financially



Source: Author's tabulations from 2014 Survey of Household Economics and Decisionmaking.

Note: See box 1 for definitions.

/* Difference between households with children and households without children is significant at the *p* < 0.05/0.01 level.

Raising Children Is Expensive

Raising children is expensive, and the costs have been rising over time. According to the USDA, the typical two-parent family can expect to spend between $13,000 and $15,000 per child per year for children born in 2013, meaning that the average cost of raising a child is expected to be $245,000 over 18 years (Lino 2014). A family with two children can expect to spend almost half its income on its children each year.

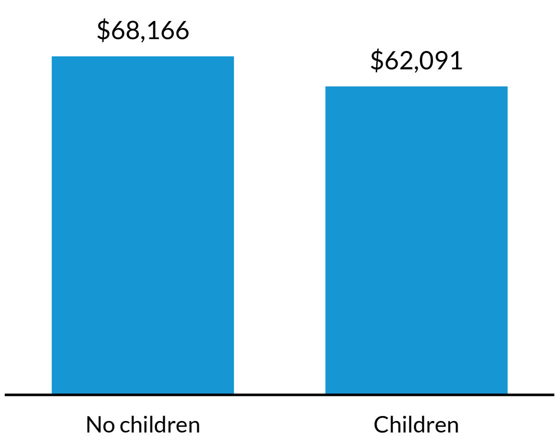
Families with Children Make Less Money

Not only are children expensive, but families with children tend to have lower incomes than families without children. In 2014, the median income for families with children was about $62,000, compared with about $68,000 for families without children (figure 2). While men's earnings increase after fatherhood, women with children have lower average earnings than women without children. These differences hold true even when looking only at working people and when controlling for years of experience and other attributes (Budig 2014; Pal and Waldfogel 2014). As single-mother families become more common, the "fatherhood bump" no longer offsets the "motherhood penalty" for many families.

FIGURE 2

Families with Children Make Less Money

Median family income, 2014



Source: 2014 American Community Survey.

There's Not Enough Help Out There

Public benefits are not enough to offset the increased cost of having children. Available federal programs such as Medicaid, SNAP (the Supplemental Nutrition Assistance Program), and TANF, as well as tax incentives such as the EITC (the earned income tax credit) lift millions of families with children out of poverty (Sherman, Trisi, and Parrott 2013), but they are often not enough to lift families out of financial distress. Many of the programs that focus on families with children are shrinking, despite the increased costs of having children. Total federal spending on children, currently 10 percent of the federal budget, is projected to decline to less than 8 percent in 2025, while adult Social Security, Medicare, and Medicaid spending is projected to increase to 49 percent (Isaacs et al. 2015).

Older Families Are the Most Financially Secure

Some of the differences between families with and without children at home may be attributable to older families whose children are no longer at home or younger families who do not have children yet, rather than adults of childrearing age without children. If we look only at families where the survey respondent is under age 65, we see that families with and without children are equally likely to be struggling to get by and to experience a hardship, but families with children are still more likely to spend more than their incomes. This suggests that older families are doing better than younger families. Because many of these adults are retired and not earning income, households headed by adults 65 years and older have a lower median income than the general population: $40,000 versus $54,000 in 2014 (US Census Bureau 2014). However, these households also have higher wealth. The mean net worth of families headed by someone ages 65–74 was over $1 million in 2013, compared with just $75,500 for families with heads under age 35 (Bricker et al. 2014).

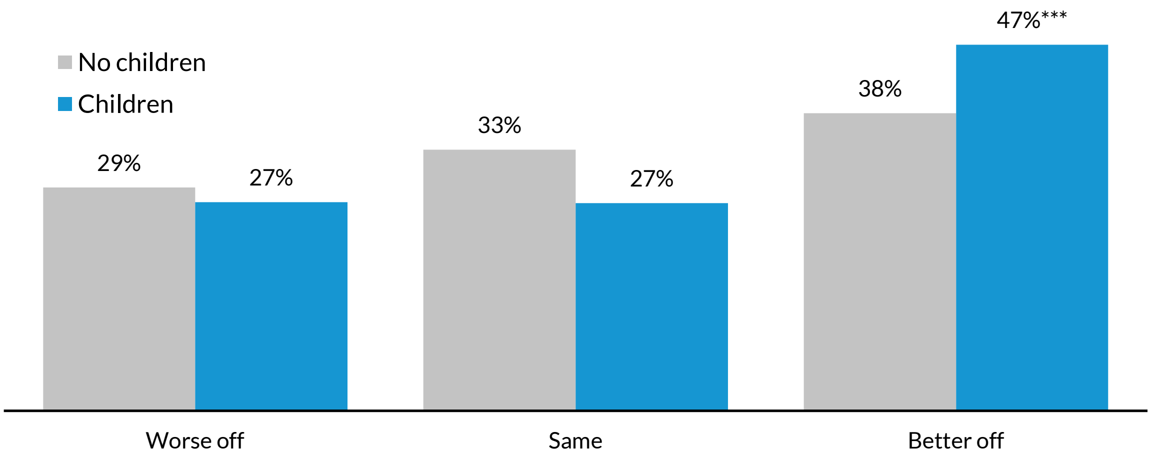
Family Financial Security Has Changed since the Recession

Families with children are more likely to think that they are doing better than they were five years ago than families without children (47 and 38 percent, respectively; figure 3). Yet while 47 percent of families with children think they are doing better than they were in 2009, only 31 percent think they are doing better than they were in 2013 (not shown). This is consistent with recovery from the recession occurring after 2009 but before 2013. After adjusting for inflation, median incomes for families with children decreased 1.9 percent between 2009 and 2014 while incomes for families without children increased by 2.6 percent over the same period.

Even though families with children appear less financially healthy than years past, they are more likely to feel their situations have improved. This feeling may reflect improved economic security as children age and child care costs decline.

FIGURE 3

Most Households with and without Children Report They Are Doing Better Than or the Same as Five Years Ago



Source: Author's tabulations from 2014 Survey of Household Economics and Decisionmaking.
Note: See box 1 for definitions
*** Difference between households with children and households without children is significant at the $p < 0.01$ level.

BOX 1

Definitions

Data for figures 1 and 3 come from the Survey of Household Economics and Decisionmaking, conducted by the Federal Reserve Board in October 2014.

Figure 1:

- "Struggling to get by" respondents said they were "finding it difficult to get by" or "just getting by" as opposed to "doing okay" or "living comfortably" when asked how well they are managing financially.
- "Experienced hardships" respondents said they or their family experienced any financial hardship such as a job loss, drop in income, health emergency, divorce, or loss of their home over the past year.
- "Spent more than income" respondents said their household's total spending exceeded their income in the past year.

Figure 3:

- Respondents were asked how they felt they (and their family) were financially (better off, the same, or worse off) compared with 2009.

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About the Author

Emma Kalish is a research associate in the Center on Labor, Human Services, and Population at the Urban Institute, where she contributes to research on wealth inequality, financial health, and poverty.

Acknowledgments

This brief was funded by the Annie E. Casey Foundation and the Ford Foundation. We are grateful to them and to all our funders, who make it possible for Urban to advance its mission.

The views expressed are those of the author and should not be attributed to the Urban Institute, its trustees, or its funders. Funders do not determine research findings or the insights and recommendations of Urban experts. Further information on the Urban Institute's funding principles is available at www.urban.org/support.

The author thanks Heather Hahn for helpful comments.

2100 M Street NW
Washington, DC 20037

www.urban.org

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