

SESSION 4: THE COST OF PARENTING

INTRODUCTION

In the last session you learned that parents need to be dependable, adaptable, responsible, patient, understanding, loving, affectionate, disciplined, resilient and self-sufficient. But to be dependable and responsible, a parent has to have financial resources. Children are expensive! In this session, we're going to explore the cost of parenting.

Imagine that you won \$100 on a scratch-off lottery ticket. What would you do with that money?

Now imagine that you have a 6-month-old baby. What kinds of new bills and expenses would you have? How would that affect the way you spend the \$100?

ACTIVITY: Take a Guess

Babies cost a lot of money but do you have a realistic sense of what everyday items cost? Let's find out. Take a guess about how much each of the following items cost. List your guess in the middle column. Then, either do some research on the Internet or check out prices in a local store. Put the real price in the right hand column.

Item	My Guess	The Real Price
1 Case size #3 diapers (156 ct)		
A well-rated baby stroller		
A well-rated car seat		

A PARENT'S BUDGET

In the last session we said that a parent needs to be self-sufficient. That means being able to take care of yourself...to live on your own...pay rent or a mortgage...buy food and clothing...maintain transportation and so on. It's gotten harder for young people who've completed high school, and even college, to be able to live independently. Think about it. How many high school and college graduates do you know who are still living with their parents?

It's hard enough to be self-sufficient living alone. Imagine trying to do that as a single parent with a child. Here are some real costs to consider. Keep in mind that the cost of living varies according to metro area in Texas.

In Lubbock, it would take around \$3,033 a month or \$36,396 a year for a single parent with one child, working full-time to pay for housing, food, childcare, medical expenses, transportation and other necessities. The parent would need to earn \$18.20 an hour.

In Austin, the parent would need to earn \$3,614 per month or \$43,368 annually. The hourly rate would be \$21.68. (Reference: <http://www.familybudgets.org>) *Note: You can get this cost of living information for a single parent with one child for your specific metro area by visiting the website.*

ACTIVITY: Make a Budget

Let's talk about budgets. A budget is a listing of all of your planned income and expenses. On the monthly budget below, the income is listed in the right column and expenses in the left column.

INCOME

Income includes your salary and it could also include things like child support, Social Security income (for example, if you had a disability and couldn't work), investment income, loans, public assistance and so on. It's any money coming in.

Expenses are divided into two categories: must-have and want-to. Must-have expenses include all of those things that take care of your basic needs, for example, rent, clothing, transportation and food. If possible, always consider savings to be a must-have expense. It's important to set aside a certain amount per month for savings to pay for unexpected expenses or to buy something in the future such as a car or home. Want-to expenses are those things you want to have but can live without.

Use the budget worksheet provided here to practice making a monthly budget. The first thing you'll need to identify is your income. From the list below, choose a career that you hope to have in the future. If you have a specific job in mind for your future, go online and get the salary for that job.

Career/Job Choices:

High School Teacher • \$54,848

Fast Food Cook • \$18,491

Doctor/Generalist • \$173,253

Registered Nurse • \$66,586

Accountant I • \$44,911

Commercial Loan Clerk • \$34,920

Plumber • \$40,801

Police Patrol Officer • \$50,512

Waiter/Food Server • \$21,435

Attorney • \$85,669

National Salary Averages from www.salary.com, 2/13

Once you have your annual income, calculate your monthly income. (*Note: Do all of your calculations in pencil.*) Divide the annual income by 12. Be aware that these amounts are called gross income. Gross income is income before taxes, deductions or allowances are subtracted.

\$ _____ (*annual gross income*) ÷ 12 = \$ _____ (*monthly gross income*)

ACTIVITY: Make a Budget *Continued*

To determine how much money you'll actually have available each month, you have to figure out your net income. Net income is gross income minus taxes, deductions and allowances; the actual amount of money you take home in your paycheck.

Taxes and deductions will total about 23 percent of your income, leaving you with about 77 percent of what you originally earned (gross income). Estimated deductions are on average 6.2 percent for Social Security, 1.45 percent for Medicare, and 15 percent for taxes (23 percent total). It's important to note that these estimates are based on annual income between \$8,700 and \$35,350. Higher incomes will have higher tax rates, for example, if your annual income is between \$35,350 and \$85,650, the estimated rates for Social Security and Medicare will be the same, but your tax rate will be 25 percent (33 percent total). For income between \$85,650 and \$178,650, the tax rate will be 28 percent (total 36 percent).

Calculate 23 percent of your gross monthly income. Then subtract that amount from your gross monthly income to get your net monthly income.

$$\text{\$ } \underline{\hspace{2cm}} \text{ (monthly gross income) } \times .23 = \text{\$ } \underline{\hspace{2cm}} \text{ (taxes and deductions)}$$

$$\text{\$ } \underline{\hspace{2cm}} \text{ (monthly gross income) } - \text{\$ } \underline{\hspace{2cm}} \text{ (taxes \& deductions) } = \text{\$ } \underline{\hspace{2cm}} \text{ (net monthly income)}$$

MONTHLY BUDGET *Worksheet*

Your Job _____

Annual Income \$ _____

MONTHLY EXPENSES (\$ GOING OUT)

Must Haves

Housing (rent or other)	\$ _____
Food/groceries	\$ _____
Utilities	\$ _____
Home/renter's insurance	\$ _____
Savings	\$ _____
Cell	\$ _____
Loan payments	\$ _____
Car payment	\$ _____
Car insurance payment	\$ _____
Gasoline	\$ _____
Public transportation	\$ _____
Health insurance	\$ _____
Additional expense	\$ _____
Child care	\$ _____
Additional child expense	\$ _____
Additional child expense	\$ _____
Other _____	\$ _____

TOTAL Must-have Expenses ² \$ _____

MONTHLY INCOME (\$ COMING IN)

Monthly wages	\$ _____
Food stamps	\$ _____
TANF	\$ _____
Child support	\$ _____
Social Security income	\$ _____
Other _____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

TOTAL Monthly Income ¹ \$ _____

★ **Income Minus Must-Have Expenses Equals** ★
Extra Money (Left for Want-To Expenses)

_____ Total monthly income ¹

_____ *Subtract* Total monthly expenses ²

_____ *Equals* Money for Want-to Expenses ³

WANT-TO EXPENSES

Cable TV	\$ _____
Spending money	\$ _____
Entertainment	\$ _____
<i>(movies, CDs, partying, etc.)</i>	
Meals in restaurants/fast food	\$ _____
Vacation	\$ _____
Other _____	\$ _____

TOTAL Want-to Expenses ³ \$ _____

ACTIVITY: Make a Budget *Continued*

EXPENSES

Now that you know your net income, figure out your expenses. First, identify your must-have expenses – rent, utilities, food, transportation, cell phone, etc. Rent should not be more than one third of your monthly net income. Once you have your must-have expenses, the remainder of your money is available for things you want to do. Saving for emergencies or future goals, such as buying a car, is very important. Consider saving to be a must-have expense if at all possible.

We've included some sample budget information to assist you. However, it would be even more realistic for you to do some independent research in this community to find out how much these expenses would actually cost you right here in our city/county.

ESSAY QUESTIONS *When you've completed your budget, ask yourself:*

How comfortable would I be with this budget?

How prepared would I be for an emergency or something unexpected?

How would I manage on this budget if I became a parent unexpectedly?

What would I need to do to be able to get this kind of job and make this income?

Hold on to your completed budget. You'll do some additional calculations in future sessions.

BUDGET INFORMATION

HOUSING OPTIONS

Apartments	Rent	Utilities	Renter's Insurance
Marbach Park Apartments – Effic.	\$515	\$170	\$25
The Winston – 1br / 1ba	\$604	\$200	\$25
Autumn Brook Apartments -2br /1ba	\$690	\$224	\$25
Villas of Oak Creste – 2br/2 ba	\$840	\$258	\$25
Homes			
	Mortgage/Tax	Utilities	Insurance
3br/2 ba (\$ 154,000)	\$1,283	\$320	\$55
4br/3 ba (\$ 265,000)	\$2,090	\$370	\$77

TRANSPORTATION OPTIONS

Vehicles	Payment	Gas	Insurance
Used '93 Honda Civic	–	\$70	\$50
Used '01 Ford Ranger	–	\$90	\$68
Used '08 Dodge Neon	\$265	\$65	\$85
Used '11 Nissan Altima	\$411	\$75	\$83
New Volkswagon Jetta	\$557	\$65	\$96
New Dodge Ram 2500 Truck	\$642	\$135	\$122
New BMW 3-Series Convertible	\$1,028	\$85	77.00
<i>Monthly bus pass = \$30 for unlimited rides</i>			

MISCELLANEOUS

Expenses	Basic	Mid	Deluxe
Groceries	\$250	\$300	\$350
Cell Phone	\$45	\$65	\$85
Cable/Satellite TV	\$38	\$55	\$79
Internet/DSL	\$22	–	–
<i>For savings, consider 10% of your monthly income</i>			
<i>For spending money, consider 5% of your monthly income</i>			