



# Paying for childcare

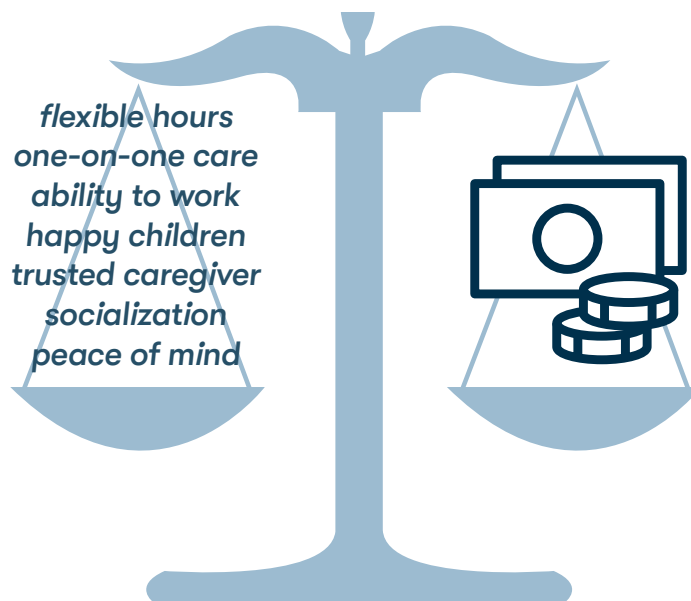
How to fit the high cost of childcare into  
your family's budget

# What is the right childcare solution worth to you?

It's probably worth quite a bit—after all, you value the well-being and health of your children more than anything else in the world. However, when considering childcare options, you probably have to take your budget into account, too, especially given the sharp rise in daycare costs over the years. So, how do you get the best value for your childcare dollars? This guide is designed to help you answer that question, given your family's specific budget, needs and lifestyle. Included you will find:

- Your childcare options
- Five factors that will impact your childcare costs
- Five ways to save on childcare costs
- Childcare budget worksheet
- Childcare quiz: which childcare solution is right for you?

We hope you find this guide helpful and we wish you a successful search for the childcare solution that works best for your family.



*“The Department of Health and Human Services considers spending 10 percent of a family’s income on childcare to be the benchmark of what is affordable. [Yet] for a married couple, the cost for an infant is more than 10 percent of median income in 38 states and DC, and the cost for a four-year-old exceeds that limit in 21 states and DC. The cost of putting an infant in full-time center care will eat up anywhere from 7 percent to 19 percent of a married couple’s income.”*

Covert, Bryce. [“The Cost Of Childcare Rose Last Year, Is More Than Rent Or Food”](#) Thinkprogress. Center for American Progress Action Fund, 04 Nov. 2013. Web. 12 Mar. 2014.

# Your childcare options

Your children are your most precious treasures in the world. As parents, we want the best care possible, but also have to take our budgets into account. This guide will outline the childcare options available to families (as well as their costs), explain factors that may impact your family’s price tag and give you a helpful budget worksheet to help you figure out where you stand financially.

## Childcare options widely available to American families:



### Family coverage

Childcare provided by a family member like a grandparent or sibling (also referred to as “kith and kin” care); may or not be formally trained.



### Au pair

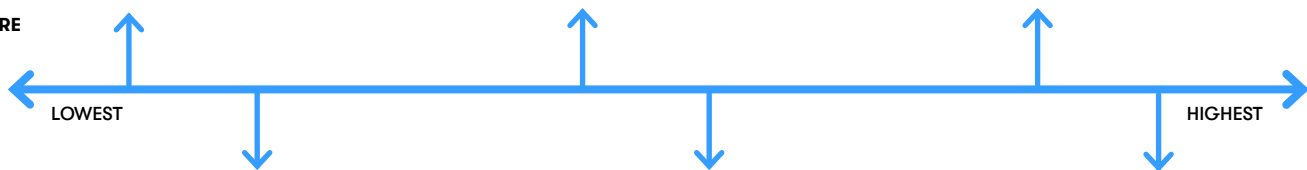
A young adult from overseas who joins a family for up to two years to provide childcare; all Cultural Care au pairs are screened, trained and certified by the American Heart Association in adult and pediatric CPR/AED and First Aid.



### Center-based daycare

Childcare provided by a state-regulated center in a group setting; individual workers’ education and training requirements vary by setting and state.

RELATIVE COST OF CHILDCARE OPTIONS



### Family daycare

Childcare provided by individuals in the providers’ own home; required to have a state health and safety license.



### Nanny Share

An individual who cares for children from more than one family; may or may not be formally trained. Screening may or may not be done for you.



### Nanny

An individual who cares for children in a family; may or may not be formally trained. Screening may or may not be done for you.

*“The largest financial commitment that many new parents make is also the most emotional: choosing a full-time caregiver for your child as you head back to work. As many parents know all too well, it’s a giant expense, often second only to housing costs.”*

Siegel Bernard, Tara. [“Choosing Child Care When You Go Back to Work.”](#) The New York Times. The New York Times Company, 22 Nov. 2013. Web. 12 Mar. 2014.

# Five factors that will impact your childcare costs

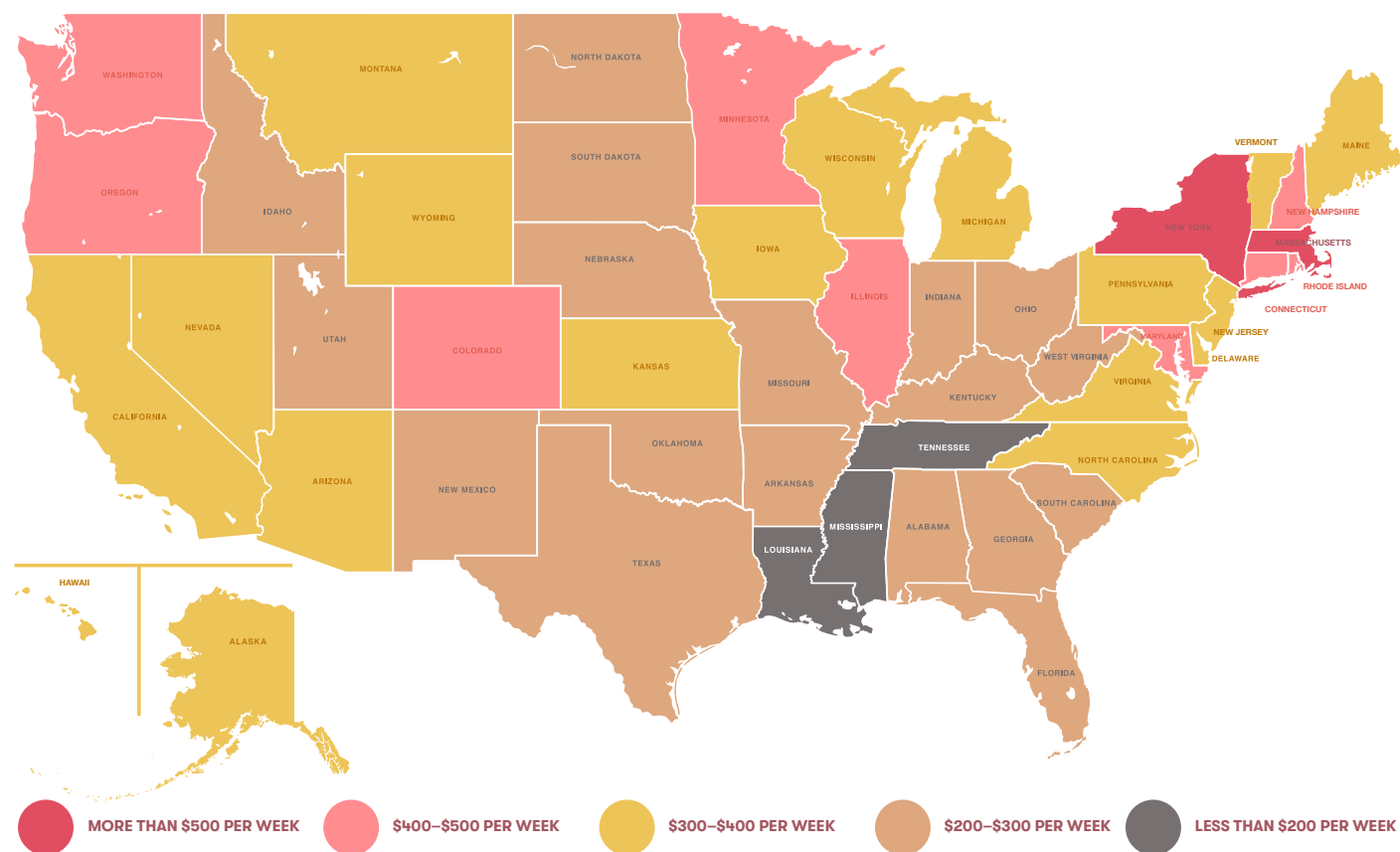
There are many factors that will impact what you can expect to pay for childcare including your location, the number of children you have (as well as their ages), hours of coverage needed, duties expected of your caregiver as well as her experience, education and special skills or training.



## 1. Location:

Not only will the state you live in dramatically affect your childcare costs, but the region or city in which you reside will also have an effect on your wallet. Stricter licensing regulations (governed individually by state) drive up prices of center-based and family daycare and a higher cost of living will increase both daycare and nanny costs. In addition, families in urban areas pay an average of 30% more annually for childcare than families in rural areas.<sup>12</sup> The map below shows the average weekly cost of center-based daycare for an infant and a 4-year-old in all 50 states.<sup>12</sup>

### Average weekly cost of center-based daycare for an infant and a 4-year-old:<sup>1</sup>



<sup>12</sup>Kendall, Rosemary and Wood, Stephen. "Parents and the High Cost of Child Care: 2013 Report." Child Care Aware of America. NACCRRR, 03 Nov. 2013. Web. 12 Mar. 2014.

*"[In Massachusetts] there can be no more than three kids per teacher and no more than seven in a class. Plus, child-care providers are required to spend 20 hours a year on professional development. That's great for kids, but it comes at a price."*

Hicken, Melanie. "Child care more expensive than college in many states." CNN Money. Cable News Network, 04 Nov. 2013. Web. 12 Mar. 2014.

# Five factors that will impact your childcare costs (continued)



## 2. Number of children & their ages

In most cases, the more children you have and the younger they are, the more you can expect to pay in childcare costs. Some daycare facilities offer a sibling rate (so be sure to ask!); others don't. Nannies won't charge you double for two children what they would for one, but they will definitely expect more pay for multiple children and for infants/toddlers versus school-aged children. Au pairs receive room and board plus a weekly stipend, that does not depend on the number of children in your family.



## 3. Number of hours needed

The number of hours of coverage you need will definitely impact your childcare costs as center-based and family daycare, as well as nannies, normally charge by the hour. (Keep in mind that many daycares charge a little less per hour the more hours you need.) One exception is the au pair program—hosting an au pair costs a fixed amount per week regardless of whether or not she works the full 45 hours allowed (as dictated by the U.S. Department of State).



## 4. Required duties

One of the benefits of hosting an au pair or hiring a nanny is that you can ask them to help out around the house. In the case of an au pair, it won't cost you extra to have them help with household tasks related to the children (i.e., laundry, meal preparation, room pick-up). However, most nannies will charge more for completing similar chores around the house on a regular basis.



## 5. Required experience, special skills & training

If you require specialized experience, skills or training from your nanny, be prepared to pay for it. Nannies can charge more if they have an educational background in child development, child psychology or advanced childcare studies, a medical background in pediatrics, experience with multiples, experience with children with special needs or any other unique skill or experience. Again, with a Cultural Care au pair, you won't pay more for candidates with special training or experience, and they all have a minimum of 200 hours of childcare experience and are American Heart Association-certified in adult and pediatric CPR/AED and First Aid.

<sup>12</sup>The weekly stipend is determined by the U.S. Department of State using a formula based on the federal minimum wage. Any change in the federal minimum wage will result in an increase in the stipend.

*“Indeed, having two working parents necessitates additional costs for education and care, but a dual-income household can improve its bottom line at the same time. That is to say, while childcare costs increase for dual-income households, income increases by a larger amount.”*

Carr, Christopher. [“What’s Really Behind the Ever-Rising Cost of Raising a Child in America.”](#)  
The Atlantic. The Atlantic Monthly Group, 26 Aug. 2013. Web. 12 Mar. 2014.

# Five ways to save on childcare costs

Even though childcare costs can be overwhelming, the following tips can help you trim your childcare expenses, if only by just a small percentage:



## 1. Consider alternative forms of childcare

Don't make the mistake of dismissing certain types of childcare right away. If you keep an open mind and investigate all of the options that exist in your area, you might be surprised at what works best for your needs and budget. In Massachusetts, for example, daycare costs for two children under 4 years will almost always exceed the cost of hosting au pair, especially in urban areas.<sup>14</sup> In Mississippi, on the other hand, your daycare bill will run less than half of what it would be in MA<sup>14</sup> so daycare becomes a more competitive option from a financial perspective.



## 2. Take advantage of the Child & Dependent Care Credit

The federal government offers a Child and Dependent Care Credit to families who need to enlist the help of a daycare or nanny so that the parents can work. This tax break provides a credit of 20% to 35% of the first \$3,000 in childcare costs you incur per child per year. (The percentage of the credit drops as income rises.) For more information and to see if you qualify visit [irs.gov](https://www.irs.gov).



## 3. Take advantage of a pre-tax dependent care account

A pre-tax dependent care account is something many employers offer as a perk to their employees. Your employer will set up the account for you, and you can choose to put up to \$5,000 of your pre-tax salary into the account. You can later use this money to reimburse yourself for childcare costs, potentially saving you a considerable sum. Two things to note—first, if you are married and file your taxes jointly, the \$5,000 cap represents a combined maximum for both you and your spouse; second, you'll want to plan carefully because leftover funds not used during the year must be forfeited.



## 4. Take advantage of company discounts:

Check with your Human Resources department to determine if your company offers subsidized childcare or any discounts of any kind with local providers. Some companies also offer back-up care at nearby daycare centers for parents who suddenly find themselves without coverage due to weather, school vacations or a sick au pair or nanny.



## 5. Fill in the gaps with willing family members

For most families, relying on family members or friends for full-time childcare coverage isn't an option. But if your mom or brother or neighbor is willing to devote a few hours a week to watching your kids, you can benefit from a cost perspective while your child gets one-on-one attention from a loving adult. Though you wouldn't expect to pay a family member or friend the same hourly rate as a daycare center or nanny, it's a good idea to offer at least minimum wage in your state. If they refuse? Thank them with homemade cookies, a spa treatment or gift certificate to a trendy restaurant.

<sup>14</sup>Kendall, Rosemary and Wood, Stephen. "Parents and the High Cost of Child Care: 2013 Report." Child Care Aware of America. NACCRRA, 03 Nov. 2013. Web. 12 Mar. 2014.

*"75% of U.S. families are overwhelmed by the cost of child care and yet nearly half don't budget for it [...] families are misinformed about the cost of child care, what's included and what savings options are available to them. [...] 52 percent aren't aware they're eligible for child care tax breaks."*

Care.com. "Nearly Half of U.S. Families Don't Budget for Child Care, Care.com Reports." CNBC. CNBC LLC, 17 Jun. 2014. Web. 12 JUL. 2014.



# Childcare budget worksheet

Use this worksheet to determine how much income you have leftover once you've paid for all of life's necessities (and not-so-necessary expenses). Once you come up with your total unused income each month, you know to keep your childcare costs within that range.

## Starting numbers

Total monthly gross income \$ \_\_\_\_\_  
 Total state and federal tax deductions \$ \_\_\_\_\_  
 Total health insurance deductions \$ \_\_\_\_\_  
 Total deferred into savings, 401K, etc. \$ \_\_\_\_\_  
**Total monthly net income \$ \_\_\_\_\_**

## Monthly housing expenses

Rent/mortgage \$ \_\_\_\_\_  
 Electricity \$ \_\_\_\_\_  
 Heat \$ \_\_\_\_\_  
 Water/sewer \$ \_\_\_\_\_  
 Homeowner's Insurance \$ \_\_\_\_\_  
 Repairs (approx/month) \$ \_\_\_\_\_  
 Taxes \$ \_\_\_\_\_  
 Housecleaning service \$ \_\_\_\_\_  
**Monthly housing expenses total \$ \_\_\_\_\_**

## Monthly car expenses

Loan Payment(s) \$ \_\_\_\_\_  
 Gas \$ \_\_\_\_\_  
 Insurance (approx/month) \$ \_\_\_\_\_  
 Maintenance and repairs (approx/month) \$ \_\_\_\_\_  
**Monthly car expenses total \$ \_\_\_\_\_**

## Monthly debt payments (credit cards, school loans, etc)

Creditor #1: \_\_\_\_\_ \$ \_\_\_\_\_  
 Creditor #2: \_\_\_\_\_ \$ \_\_\_\_\_  
 Creditor #3: \_\_\_\_\_ \$ \_\_\_\_\_  
 Creditor #4: \_\_\_\_\_ \$ \_\_\_\_\_  
**Debt total \$ \_\_\_\_\_**

## Monthly entertainment expenses

Phone \$ \_\_\_\_\_  
 Cable \$ \_\_\_\_\_  
 Entertainment (movies/dining out, etc.) \$ \_\_\_\_\_  
 Vacations \$ \_\_\_\_\_  
 Gym/other memberships \$ \_\_\_\_\_  
 Newspaper/magazine/books \$ \_\_\_\_\_  
**Entertainment expenses total \$ \_\_\_\_\_**

## Other monthly expenses

Life insurance \$ \_\_\_\_\_  
 Charitable contributions \$ \_\_\_\_\_  
 Groceries \$ \_\_\_\_\_  
 School tuition/supplies \$ \_\_\_\_\_  
 Medical bills, co-payments, prescriptions \$ \_\_\_\_\_  
 Clothing \$ \_\_\_\_\_  
 Beauty supplies/treatments \$ \_\_\_\_\_  
 Pet supplies and healthcare costs \$ \_\_\_\_\_  
 Gifts \$ \_\_\_\_\_  
 Savings \$ \_\_\_\_\_  
**Other expenses total \$ \_\_\_\_\_**

## TOTAL UNUSED INCOME

**Total monthly net income** \$ \_\_\_\_\_  
**Monthly housing expenses total** - \$ \_\_\_\_\_  
**Monthly car expenses total** - \$ \_\_\_\_\_  
**Debt total** - \$ \_\_\_\_\_  
**Entertainment expenses total** - \$ \_\_\_\_\_  
**Other expenses total** - \$ \_\_\_\_\_  
**TOTAL UNUSED INCOME = \$ \_\_\_\_\_**

# Childcare quiz: which childcare solution is right for you?

## 1. What is your weekly budget for childcare?

- A. Based on where I live, a daycare center or family daycare would be the best financial solution
- B. Based on where I live, an au pair, or nanny share would be more affordable than daycare

## 2. Which is more important to you?

- A. Socialization for my child
- B. One-on-one attention and the ability to choose a specific caregiver

## 3. How much flexibility do you need?

- A. Little to none; my family's schedule doesn't change much
- B. The option to schedule coverage outside of traditional work hours would be a big benefit

## 4. How important is convenience?

- A. Not very—I'm not concerned about it
- B. Convenience is important to me

## 5. Could you use some help around the house? Or an extra driver? Or someone to help with homework?

- A. I don't really need any extra help
- B. A little bit of help with household chores would be beneficial

## 6. How soon do you need childcare?

- A. I've got plenty of time to figure it out
- B. I need someone in the next couple of months or less

## 7. How much control do you want over your child's environment?

- A. I'm happy leaving the daily activities and environment to someone else to worry about
- B. I prefer having more control over where my children are and what they're doing all day

## 8. Are you interested in cultural exchange?

- A. I could take it or leave it
- B. Yes, I would love to expose my children to a different culture

## 9. Would live-in care be an acceptable option for you?

- A. No. I don't have the room and/or a live-in just isn't for me
- B. Yes, I would consider a live-in caregiver

## 10. How willing are you to invest time into a relationship with your caregiver?

- A. Not very; I don't have it in me to invest time and energy into another relationship in my life
- B. I would be willing to nurture a relationship with my caregiver and I think it would benefit my family

## If you scored mostly:

**As**

you are best suited to:

### CENTER-BASED OR FAMILY DAYCARE

Your answers indicate that your family would benefit from securing childcare with a traditional center-based daycare or family daycare. Good luck finding a daycare solution that works well for you!

**Bs**

you are best suited to:

### AU PAIR OR FAMILY COVERAGE

Your answers indicate that your family would benefit from inviting an au pair or family member to care for your children. To find out more about au pair childcare, visit: [culturalcare.com](http://culturalcare.com). Good luck finding the perfect au pair or family member to welcome into your home!

**As & Bs**

you are best suited to:

### NANNY OR NANNY SHARE

Your answers indicate that your family would benefit from hiring a nanny or nanny share. Good luck finding the perfect nanny candidate for your family!