



The Cost of Youth Report 2016

Balancing family finances with today's teenagers

A special report from the Aviva Family Finances series

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Welcome to Aviva's The Cost of Youth Report

Introduction

The teenage years of 13-19 are a time of rapid learning and growth for the typical teenager – full of discovery, gradual independence, and uncertainty as they move towards adulthood. When we look back on our teen years, they include the milestones and events that have shaped our lives, from the challenges of adolescence, relationships, exams and career choices, to interests and hobbies. There is little wonder that parents put so much time and effort into these critical years.

Our research shows that many parents find that the new opportunities and experiences in this phase of a young person's development brings new decisions and priorities to consider. Parents have to deal with a range of worries and emotions as their teenagers start to assert their freedom, while also grappling with the financial realities of raising a teenager. When it comes to financial pressures, many will find themselves questioning how they are doing as a parent: are they spending enough time with their teenagers, will their teenagers feel let down by them, and what is the appropriate balance of financial support to encourage increasing responsibility and independence?

Aviva's Cost of Youth report, part of our Family Finances series, looks at parents' financing of their children's teenage years and the challenges it brings. In doing so, it highlights the sources of pressure and influence on parental purse strings, the sacrifices parents make to support their families, the patterns of behaviour they follow and what this means for their teenagers' financial education.

Louise Colley

Customer Propositions Director,
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Key findings –

Our research from parents who have teenagers tells us:

- They spend an average of £28,767 in total on the teenage years (excluding household costs such as groceries and utility bills)
- Twice as many parents feel they overspend (34%) than underspend (14%) on teenagers
- Pressure to spend sees 10% borrowing more than they feel comfortable with and 7% have missed a credit card payment
- They feel their teens are more likely to overestimate than underestimate the family budget (31%)
- They worry more about their teenagers' use of technology than alcohol, drugs or exam pressure
- 70% feel they are good at managing their money, but 33% sacrifice saving for their future in favour of spending on their son or daughter
- A quarter struggle with keeping up with their teens' expectations and not wanting them to feel let down

Contents

Introduction	01
Parental spend on teenagers	02
Pressure points on the family purse	05
Counting the cost of teenage tech	07
Impact of financing the teenage years	09
Teenage earning trends	11
Financial lessons for the future	12
Conclusion - What does this tell us?	14



Parental spend on teenagers

Navigating the teenage years costs £28,767 in total, with 16 year-olds making the biggest dent on the family purse

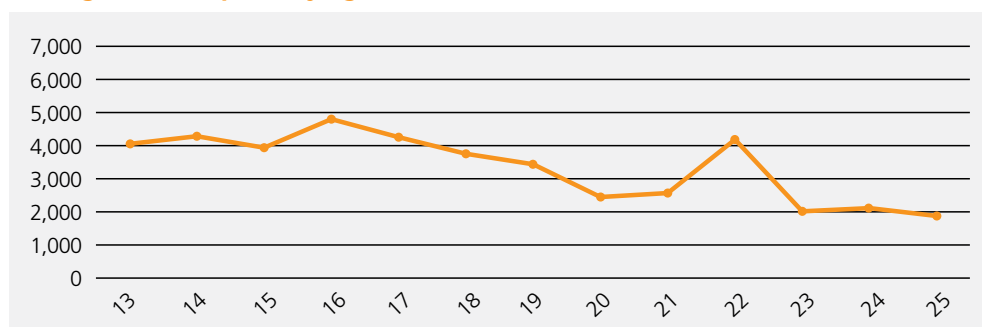
Aviva's data suggests that the total cost of supporting the average child from 13-19 years amounts to £28,767, excluding household costs such as groceries and utilities¹. This is 10% higher than the average UK annual salary (£26,104)². Another £15,406 is also needed to guide each child through the first half of their twenties (20-25): 46% less than the annual spend for teenagers.

The average UK teenager costs their parents £4,110 a year to raise, with spending evenly split between the early teens (13-15) – at £4,085 annually per head – and the late teens (16-19) when average spending rises to £4,102 a year.

The average household also spends £5,916 a year on groceries, with each teenager accounting for approximately £1,557 of this³.

Parents spend an average of £4,053 annually on teens aged 13. This steadily rises to £4,800 a year by the age of 16, making this the most expensive teenage year. This trend is then reversed, with spending progressively falling to £2,448 annually by the age of 20.

Average annual spend by age



However, parents should be prepared as they cannot depend on spending progressively less as their children get older: Aviva's data shows a sudden spike in 22 year-olds' costs to £4,185 annually. Parents spend more than five times as much on holidays and other travel (rising from £122 a year at 21 to £666 at 22) and almost three times as much on motoring expenses (rising from £97 a year at 21 to £279 at 22) – possibly as a treat at the end of further education.

Parental spending on the average 22 year-old is 22% higher than on the average 19 year-old and only 13% less than the most expensive teenage year, 16.

¹ Private education fees are not included in this total. If included, the average cost would be £430 a month or £5,166 per year.

² ONS Labour Market statistics, July 2016, <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/timeseries/kab9/lms>

³ Based on ONS data on the number of dependent children in married couples: <http://www.ons.gov.uk/ons/rel/family-demography/family-size/2012/family-size-rpt.html>



Parents spend £4,110 a year on their teenagers: 16% of the average UK annual salary



At £4,800 a year, sixteen is the most expensive teenage year for parents

Spending priorities

Comparing the top five annual expenses, birthdays and special occasions consistently rank top throughout the teenage years. Parents' average spending on these occasions is broadly consistent from 13-15 (£464 per teen per year to 16-19 (£477 a year)), before dropping to £355 a year in the early 20s when many will have their own source of income.

School meals and other food or drink outside of household groceries is the second biggest expense for 13-15s (£441 per teen per year), but this falls to third place by 16-19 (£334 a year) and drops out of the top five by 20-25 when many will have left school or entered higher education.

Spending on holidays, gap years and other essential travel becomes the second most expensive item for parents of 16-19s and remains their third most expensive outlay on children aged 20-25.

This generosity with holiday spending does not guarantee an invite, however. Two fifths (41%) of parents with teens have paid for at least one weekend trip in the last year which they did not attend themselves, while 33% have paid for at least one longer holiday that their child took without them.

UK families spend an average of £109 annually per teen on extra education and tutoring costs (excluding private education fees).

Parents are divided over whether the quality of education depends on the amount they pay towards it: 29% with teenagers agree, yet 39% disagree. Opinion is more evenly split among parents of younger teens: 33% of parents with 13-15s think their quality of learning experience is linked to parental spending while 37% disagree.

With nearly half of young people aged 17-30 in the UK going to university⁴, contributing towards the cost of higher education also becomes a significant expense for parents of older teens. Only 13% of parents with teenagers at university do not give them any extra money over and above the loans or grants they receive.

Parents with teens at university supplement their children's loans and grants to support their living costs, with parents spending the most at age 19 (£1,074 annually).



The top annual expense for parents of teenagers is birthdays and special occasions (rising to £477 a year for 16-19s)



Only 13% of parents with teenagers at university do not give them extra money over and above the loans or grants they receive

How the top five monthly costs of youth evolve with age

%	13-19	13-15	16-19
Birthdays and special occasions	471	464	477
Holidays, gap years and other recreational travel	393	340	440
School meals and other food/drink outside of household groceries	387	441	334
Essential clothing, shoes and accessories	372	428	317
Regular pocket money/allowance	274	276	272

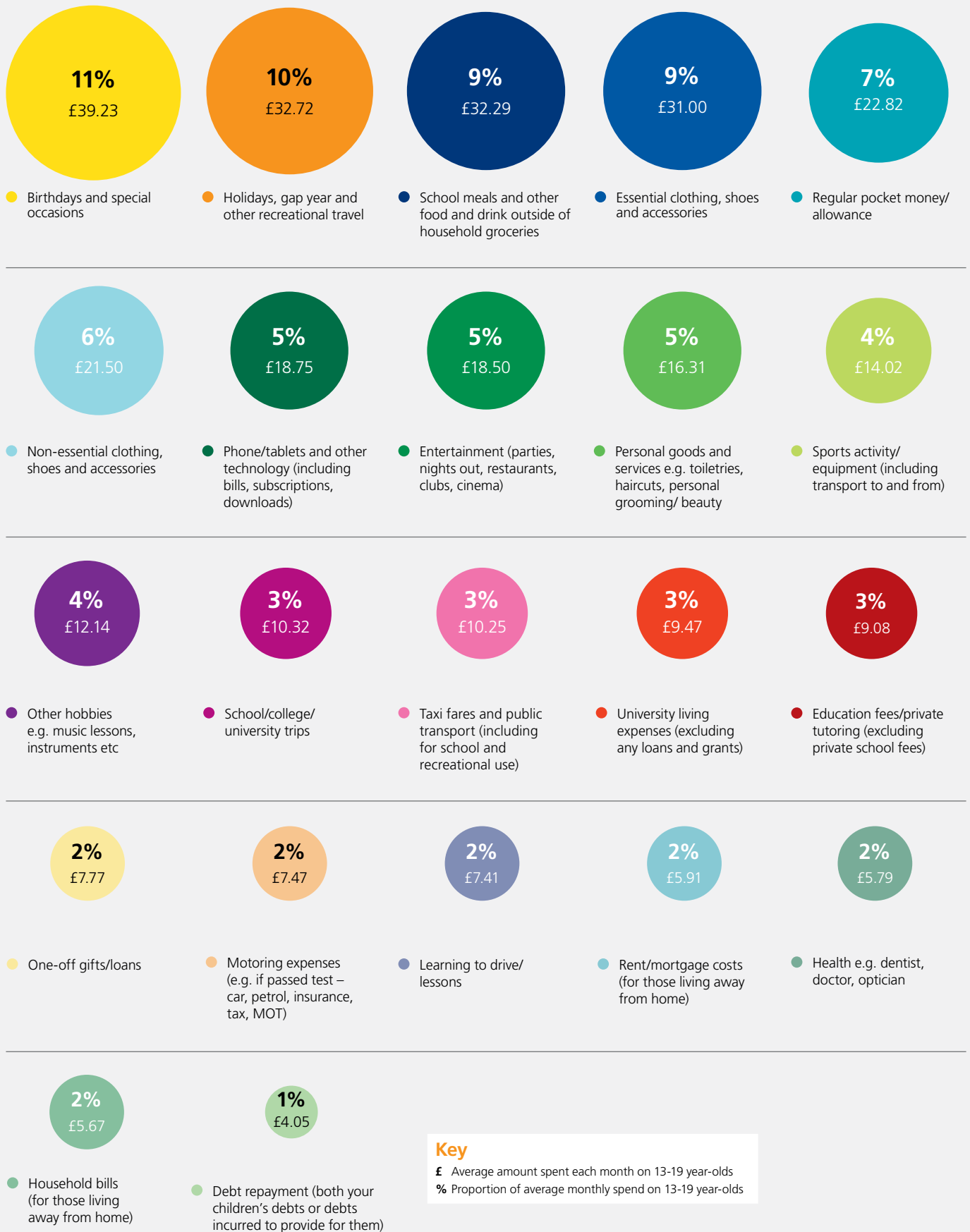
Total bill for the teenage years

Spending on birthdays and special occasions makes up £11 in every £100 of parental spend on teenagers. Holidays and other travel account for £10, while food outside of household groceries (including school meals) and essential clothing both account for £9. Regular pocket money makes up £7 in every £100, with another £6 going on non-essential clothing.



⁴ Department for Business Innovation & Skills: Participation rates in higher education 2013/14
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/458034/HEIPR_PUBLICATION_2013-14.pdf

Proportion of parents' monthly spending on 13-19 year-olds



Pressure points on the family purse

Parents feel their teenagers exert pressure to spend, with many in the dark over family finances

Almost half (45%) of parents with teens feel pressured to spend more on them, with the biggest source of pressure being teenagers themselves (31%). Parents of 13-15s are more likely (36%) to feel pressured by their teens, than those with 16-19s (27%).

Media and advertising (12%), their children's friends (12%) and their own partner (10%) were also found to be a source of pressure for parents.

Of those who feel pressured, the single biggest source of this was their teenagers (46%). A smaller number of parents felt media and advertising (13%) and their current partner (11%) were the primary source of pressure.



Nearly half (45%) of parents with teens feel pressured to spend more on them

Sources of pressure to spend on teens %		
	Parents who feel pressure from this source	Pressured parents who feel this is the biggest source of pressure
My children	31	46
Media and advertising	12	13
My current partner	10	11
My children's friends	12	8
My children's school	11	7
An ex-partner	5	6
My children's friends' parents	7	3



Parents who experience pressure to spend feel their teenagers are the biggest source of this (46%)

This pressure to spend could be partly linked to a lack of understanding about the family finances. Only 27% of parents think their teenagers know exactly what they earn. Almost one in three (31%) say their teens think they earn more than they actually do, while just 6% – five times fewer – think their teens underestimate this. Almost one in four (24%) believe their teenagers have no idea at all.

Modern society is also a factor: four in five (80%) parents with teens feel there are more financial burdens on parents these days than when they were young.

These demands can lead to flashpoints: almost one in four (24%) parents have fallen out with their teenager for saying 'no' under pressure while 17% say they have experienced some form of emotional blackmail or guilt trip.

Although half (50%) of parents only use their regular income to fund their teenagers' expenses; of those who turn to other sources, 39% use credit cards, 34% rely on financial help from their teens' grandparents and 33% work overtime.

Worryingly, 10% have borrowed more than they were comfortable with, while 7% have missed a loan or credit card repayment as a result of pressure to spend. This rises to 15% of parents aged 28-34, showing younger parents are especially susceptible to this risk.



One in four (24%) parents have fallen out with their teenager for saying 'no' under pressure



Counting the cost of teenage tech

More than half of parents spend on digital technology, but many worry about the risks and lack of control

Parents feel conflicted over their teens' use of technology: on the one hand they support and pay for it, recognising the educational benefits, but at the same time worry about negative influences and the threat it could pose.

Among the 53% of parents who contribute to teenagers' digital costs, the most common item is a mobile phone contract, paid for by 75%. This is relatively consistent throughout the teenage years and beyond. Worryingly for parents, this figure only slightly reduces (72%) as their child moves into their 20s. This contrasts with parental payments on gaming, tablets, digital TV or downloads which fall away with age.

Parents of 13-15s spend £223 per teen each year on average towards phones, tablets and other technology – including bills, subscriptions and downloads – and £227 a year on 16-19s.



Over half (53%) of parents contribute to their teenagers' digital costs

What parents who spend on digital technology fund for teenagers %			
	13-19	13-15	16-19
Parents who spend on digital technology	53	57	51
Of those parents, what do they pay for?			
Mobile phone contract	75	74	76
Mobile phone handset	56	58	56
Laptop	46	47	46
Gaming e.g. Xbox, Playstation	41	47	36
Tablet	33	39	27
Digital subscriptions e.g. Netflix, Amazon Prime	24	27	24
Digital TV	22	25	18
Desktop computer	19	22	17
Digital downloads	14	18	10
None of the above	4	3	6



Parents of 13-15s spend £223 per teen each year on average towards phones, tablets and other technology

Parents are more likely to feel the time their teens spend on digital technology is unhealthy (34%) rather than healthy (22%).

While half (51%) feel it benefits their teenagers socially and even more (61%) feel it benefits their education and learning, 54% feel it exposes them to negative influences or threats. Tellingly, more parents of teens are concerned about the amount of time they spend on technology (39%) than about the dangers of drink and drugs (37%) or exams, education and homework pressure (33%).

More than a third (36%) feel it damages family relationships, rising to 39% of parents with younger teenagers (13-15s). Just 40% feel they have control over the time their teenagers spend on digital technology. This is likely to be because only 44% set either strict limits or rough guidelines, while 6% have tried and failed.



Parents are more likely to feel the time their teens spend on technology is unhealthy (34%) rather than healthy (22%)

How parents of teens approach the time spend on digital technology %			
	13-19	13-15	16-19
I/we set strict limits	11	14	8
I/we set rough guidelines	33	40	27
I/we monitor them, but let them decide	28	30	28
I/we set no limits and leave this entirely up to them	22	12	30
I/we have tried to set limits but it is impossible to keep track of	6	4	7



Impact of financing the teenage years

A third of parents feel they spend too much, with saving for the future sacrificed

Parents of teens are more than twice as likely (34%) to spend more than they think they should on their children, rather than spending less than they think they should (14%). The sense of overspending is strongest among parents of 13-15s (37%).

The most common reason parents feel they spend too much is not wanting their teenagers to feel deprived (39%). Other reasons include feeling there is no alternative to keep up with expectations (25%), struggling to cope with disappointment (25%), worrying about teens feeling let down (24%) and a desire to avoid their own parents' frugal approach when they were young (24%).

74% of parents who feel they spend less than they think they should say it's because they cannot afford any more than they currently spend. Almost two in five (38%) believe their teens should learn the value of money by working to earn it, while 31% feel they should learn they cannot always get what they want.

In order to fund their overspending, parents are making a number of sacrifices. While socialising is the most common cutback (37%), one in three (33%) sacrifice saving for the future.



Parents of teens are twice as likely to spend more than they think they should on their children (34%) than spend less (14%)

Top five things parents with teens sacrifice to free up funds for their teenagers

%	
37	Going out/socialising
33	Saving money for the future (including savings and pensions)
28	Clothing and footwear
25	Holidays
19	Haircut



Parents also consistently feel teen tastes are more expensive than their own: half (51%) say their teenagers’ tastes are more expensive when it comes to mobile phones and tablets, while 52% say the same for clothing and footwear.

Top areas where parents feel their teens’ tastes are more expensive than their own	
%	
Clothing/footwear	52
Mobile phone/tablet (handset)	51
Mobile phone/tablet (subscription)	46
Toiletries (including make up)	38
Going out/socialising	37



Teenage earning trends

Pocket money is provided throughout the teenage years – but teens are less likely to be doing chores to earn it

By the time they reach their teenage years, young people have been on average receiving pocket money for four years. Between the ages of 13 and 19, the average parent spends £274 per year on pocket money, or £1,917 in total. Whilst the amount tails off after the teenage years, parents are still paying £112 on average each year to those aged 20 to 25 years. One in five (20%) parents have never given pocket money.

More than one in three (36%) parents say their school-age teenagers have had a part-time, evening or weekend job. Teenagers typically start earning their own income aged 16. But while many parents see the benefits of this work – for example, teaching the value of money (58%) and helping with confidence (46%) – one in five (20%) would prefer for their teens to focus solely on their education instead.



Parents spend £1,917 in total on pocket money between the ages of 13 and 19

Parents were more likely to do household chores when they were younger %		
Chore	Parents of teens who did this	Parents of teens whose children do this
Going to the shops	70	45
House cleaning	66	44
Cooking	54	28
Gardening	49	21
Laundry	46	19
Car cleaning	46	28
Looking after younger siblings/pets	44	31
Did/do no household chores	12	23



One in five (20%) parents would prefer for their teens to focus solely on their education instead of working part-time



Financial lessons for the future

Parents feel confident managing their money but only half teach their teenagers basic financial management

As well as worrying about their teenagers’ daily needs, many parents are also concerned about their teens’ future finances. Only 36% feel their teens are good at managing money, which is even less the case for 16-19s (34%) than 13-15s (36%). Things barely improve beyond the teenage years: only 37% of parents with 20-25s say the same.

Parents also need to be prepared to provide support for longer as many expect their teenagers to achieve certain life milestones much later than they did. While 64% of parents left home before the age of 21, only 31% of parents expect their children to do the same.

Seven in ten (70%) parents of teens have concerns about their finances relating to their children, with the following as the top three concerns:

Parents’ top concerns about their finances in relation to their teenagers	
%	
That the level of financial support I need to provide will go on indefinitely	16
The expectations my children have that they can have whatever they want	16
That there is little financial education to support my children to take responsible decisions	16



Only 36% of parents feel their teens are good at managing money



Parental concerns over financial education appear to prompt some efforts to support their teenagers to make good financial decisions. Only 2% say they don't teach their teens about the importance of saving for the future. More than half (54%) actively encourage their teenagers to save.

However, although 70% of parents consider themselves to be good with managing money and budgeting, only 50% have taught their teenagers the basic principles of budgeting and how bank or savings accounts work. One in five (21%) say their teens need to learn managing money and budgeting for themselves.

Failing to pass on a detailed understanding of managing money is having an impact on young people's financial skills: Aviva's latest Family Finances Report (Summer 2016) shows a third (34%) of millennials aged 18-24 do not actively manage their finances, while 29% feel they never learnt how to manage their money properly⁵.



More than half (54%) of parents actively encourage their teenagers to save

Most common actions to teach teens the importance of saving for the future and budgeting %			
	13-19	13-15	16-19
I actively encourage them to save	54	54	53
I have opened a bank account for them, or encouraged them to open a bank account, to enable them to save	54	50	58
I regularly talk to them about the importance of not getting into debt, and not spending all of their money at once.	51	47	53
I have taught them the basic principles of budgeting and how bank/ saving accounts work	50	46	53
They have to help out with household chores to receive pocket money, or save for specific items they wish to buy	34	36	33

Conclusion – What does this tell us?

The teenage years can be an especially challenging and rewarding time for families, as relationships evolve and young people start to move out into the world. Parents often find themselves taking a supportive role with their teens while also encouraging responsible steps towards independence. At the same time, they need to manage the expectations of other members of the family and balance the household's books. It can be a tricky time for all, particularly as this is taking place in a world where family dynamics and financial pressures have changed drastically since many parents were teens.

The potential costs and benefits of teenagers' digital lives show just one example of social change that has major personal and financial implications. However, some dynamics of modern families are more familiar: although many parents today feel pressured by their children to spend, it is noticeable that one in four, who feel they overspend, are influenced by their own upbringing.

This highlights the vital role of the family in supporting financial education and starting conversations that will benefit young people as they head towards adulthood. Not all circumstances make it easy to be open about family finances, but in the right setting, this step can make financial decisions or choices better understood within the context of the family's overall priorities and help teenagers on their path to maturity.

Top tips for parents of teenagers:

- **Communication:** Talk to your teen about managing their finances and make sure they know the basics of budgeting, particularly at key milestones such as moving away from home for university or college.
- **Saving:** Encourage your teen to put money aside each month and take responsibility for managing their own money.
- **Honesty:** Be open about the family's finances, particularly as teens get older.
- **Plan ahead:** If your teen is planning to go to university, make sure they understand how much money they will receive and how to make this last.
- **Seek help:** If your teen has a question about managing money that you can't answer, do some research or seek expert help.

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"Family play a vital role in supporting financial education and starting conversations that will benefit young people as they head towards adulthood."



Methodology

2,000 parents of children aged 13-25 took part in an online survey carried out by ICM Unlimited in July 2016. All findings are based on parents of teenagers aged 13-19 unless specified otherwise, with a total of 1,644 parents of children aged 13-19 participating in the survey.

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