



April 20, 2008

As prices rise, parents face tough choices

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Gannett News Service

Shirley Ryan of Smyrna, Del., considered going back to work part time. She previously had been a part-time fraud investigator for a bank, and figured that with a 6-year-old daughter and a son who's almost 1, the extra paycheck could help.

But Ryan and her husband did the math. The increasing cost of gasoline and day care would have resulted in a net loss, she said.

"It paid for me to stay home," said Ryan, who is expecting her third child.

The cost crunch

Parents of young children are facing tough choices these days: whether to give up fresh fruit, whether to skip that vacation. Paying into college savings plans in times like these tends to be out of the question for families with tight finances.

When costs go up, it especially affects a young family, because their incomes tend to be lower, said Dan White, a financial adviser in Glen Mills, Pa.

Little left over

With gasoline, heating and air conditioning costs heading upward, there's not a lot of money left over for lifestyle choices like vacations, White said. A parent can be forced to take a second, part-time job, which means Mom or Dad isn't around as much, and with child-care costs higher, grandparents often have to step in, he said.

Also, savings tend to take a back seat, which, if it continued for any period of time, can be especially costly since a young family has plenty of years to watch their money compound, White said.

"People fall in the trap," he said. "Once they cut back on that, it's very difficult to get back into it. They're used to having more money coming in."

Maureen Laffey, director of the Delaware College Investment Plan, said new accounts in February were down 16 percent from the same month the previous year.

Skimping on savings

Many parents around the country are making the same choice to forgo college savings plans or reducing new investments because they need cash on hand, Laffey said. There's a penalty for withdrawing money from a 529 savings plan for anything but education, she said.

Ryan said she's not able to put money away for her children's education at this time.

"It would be great if we had the leftover funds, but by the time necessities hit, everything's going up, paying the mortgage, it's just a really difficult thing to do," Ryan said.

The food factor

Ryan's friend Erin Hitchens of Middletown, Del., said it appears that the price of food has almost doubled in the past six months. Junk food has stayed the same, while milk, bread and eggs have gone way up, she said. She has taken to driving 20 minutes to shop at Wal-Mart instead of at her local grocery store.

"You're getting rid of the frills," Hitchens said. "The problem is when you don't have a lot of frills to begin with."

Hitchens said her family soon will go ahead with long-held plans to visit Walt Disney World in Florida. It will probably be the last vacation for a while if the economy stays sour, she said. They decided long ago to save money by driving.

"Now I don't know if we are going to save money on that."
