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People underestimate the cost of life's big events by £132,000

- University debt, having a child and weddings are the most underestimated costs
- Importance of savings also underestimated as fewer plan to use savings to pay for events

People are dramatically underestimating the cost of life's big events such as weddings and first house deposits, reveals new research from HSBC. On average life's big events cost £310,279 currently, but Brits estimate the cost will be just £178,140, a shortfall of £132,139.

The key events that Britons most underestimate the cost of are raising their first child, underestimated by £92,000, student debt, with a shortfall of £34,000 and the cost of a wedding, which is underestimated by £12,000. In contrast, Britons overestimate the average cost of a first house deposit by £12,000 (see Table 1).

Table 1: Average actual cost of life events vs. average expected cost, 2012

Life event	Average cost*	Average expected cost
Raising first child	£165,648	£73,221
University debt	£43,500	£9,541
Wedding	£20,273	£8,365
Sending child to university	£52,376	£43,046
First car	£1,450	£4,835
First house deposit	£27,032	£39,132
TOTAL	£310,279	£178,140

The total cost of paying for these big events is currently 14% higher than in 2011, largely due to the soaring costs of attending university and student debt (a combined 57% increase). And, perhaps not appreciating the rising costs, the amount people think they need to cover this total is £50,000 further out than last year.

The survey of 2,000 UK adults also found that fewer people plan to use savings to pay for forthcoming key milestones than those who have already achieved them. This may be because they are unaware of the extent of the costs or that their savings pots will fall short. Forty per cent intend to use savings for their first house deposit, compared to 58% who have already bought their first home and only 36% will use savings for their first car, compared to 50% who have actually bought their first car this year (see Table 2). The top planned use of savings is for a wedding (42% of people).

Bruno Genovese, Head of Savings at HSBC, comments:

“Life’s big events can require a substantial financial outlay and many of those who are yet to go through them are vastly underestimating the costs involved, particularly in light of the hikes to university fees and high inflation. Unless people are fully aware of the budgets that are needed and start saving and planning their finances early, some may have to delay these milestones.”

Table 2: How people actually paid for life events vs. how people expect to pay for life events

Life event	How people paid for / how people now expect to pay				
	Savings	Borrowings	Parents	Salary	Other
First car	50% / 36%	20% / 6%	8% / 6%	16% / 30%	6% / 22%
Wedding	50% / 42%	5% / 7%	10% / 11%	19% / 25%	17% / 15%
First house deposit	58% / 40%	10% / 17%	9% / 7%	14% / 22%	9% / 13%
Paying off university debt	29% / 16%	7% / 2%	8% / 3%	35% / 48%	22% / 31%
Raising first child	32% / 31%	2% / 1%	3% / 2%	53% / 47%	9% / 19%
Sending child to university	38% / 39%	8% / 7%	4% / 2%	35% / 37%	16% / 16%

Getting onto the property ladder

The high cost of getting on to the property ladder is well documented. Consequently, people are actually overestimating the value of the average first time buyer (FTB) deposit - and by slightly more than they did in 2011 - even though this has fallen by 6% over the past year from £28,770 to £27,032. They expect to have to pay almost £40,000 (£39,132). Those in their 20s who may be looking to buy have the highest expectations of the average FTB deposit level, placing it at £40,817.

Fifty eight per cent of people who have already bought their first home saved for the deposit, but only 40% of those still hoping to buy plan to use savings, with 17% hoping to find an extra loan to help.

Showing that the average FTB age is rising; those who have already bought their first home were 27, whereas aspiring homeowners are aiming to have achieved this by the age of 35. According to the CML the average age of an unassisted first time buyer is 33.

How much will life’s a big event cost me?

- Brits still substantially underestimate the cost of a **wedding**, which, at £20,273, is over twice as expensive as the £8,365 that people anticipate. Interestingly, men and women expect to spend approximately the same amount on this big event.
- The cost of **raising a child** is most undervalued, estimated at almost £100k (£92,427) below the actual cost of £165,648. This is more than last year when they underestimated by around £75,000. Women expect the cost to be higher (£74,696) than men do (£71,293).

- Despite extensive media coverage surrounding the hugely increased cost of university fees, people continue to underestimate the cost of paying off **university debt** by £34,000 or 80%. The actual cost of student debt is £43,500, which has more than doubled from £20,000 last year. The over 50s, who may currently have children in higher education, give the highest estimate at over £10,000 per year; estimates increase with age.
- Brits are slightly more aware of the expense involved in sending a child to **university**, expecting to pay £43,046 compared to the true cost of £52,376 similar to last year, those in the 55+ age group gave the closest average estimate of £45,663, suggesting they may currently be experiencing the expense.
- The average amount that people expect to pay for a **first car** is £4,835 - fairly high compared with data from a major Insurance company, which shows that the actual average cost is £1,450.

How will I pay for life's big events?

- Nearly half of people who have not paid off their student debt (48%) or had a first child (47%) are planning to use their salary to cover the cost. However, one in three (31%) are saving for the cost of raising a child and 40% are saving to send their children to university.

How old will I be when I can achieve life's big events?

- The average age most people who do not have children plan to have their first child is at 34 years – 2 years later than in 2011.
- According to the survey the average age people want to get married by is 26 – however ONS statistics show that the average age of a first time groom is now aged 32 while the average first time bride is aged 30.

-ENDS-

Notes to editors:

Research carried out by Opinion Matters on behalf of HSBC between 5th and 20th April 2012 and questioned 2,007 people over the age of 16.

*Average cost taken from desk research – for full breakdown please contact the press office below

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