

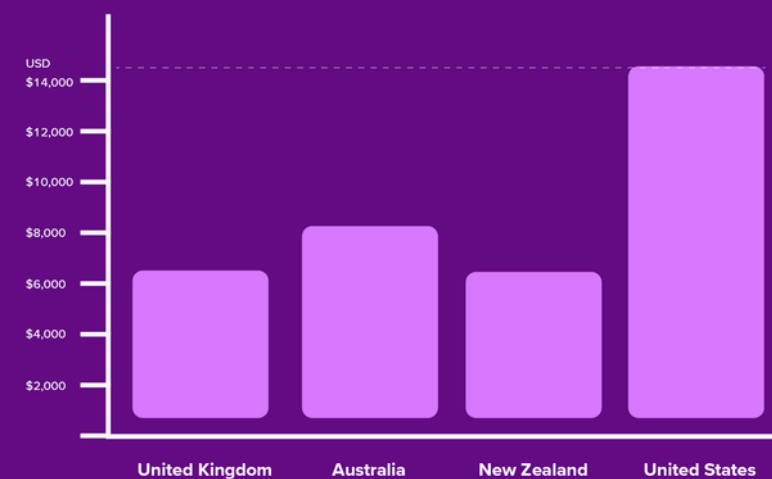
Global Costs of Childcare

How the U.S. stacks up to Australia, New Zealand & the U.K.

Insights from



Average Annual Childcare (2025)



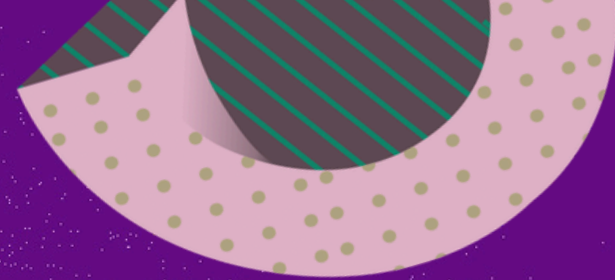


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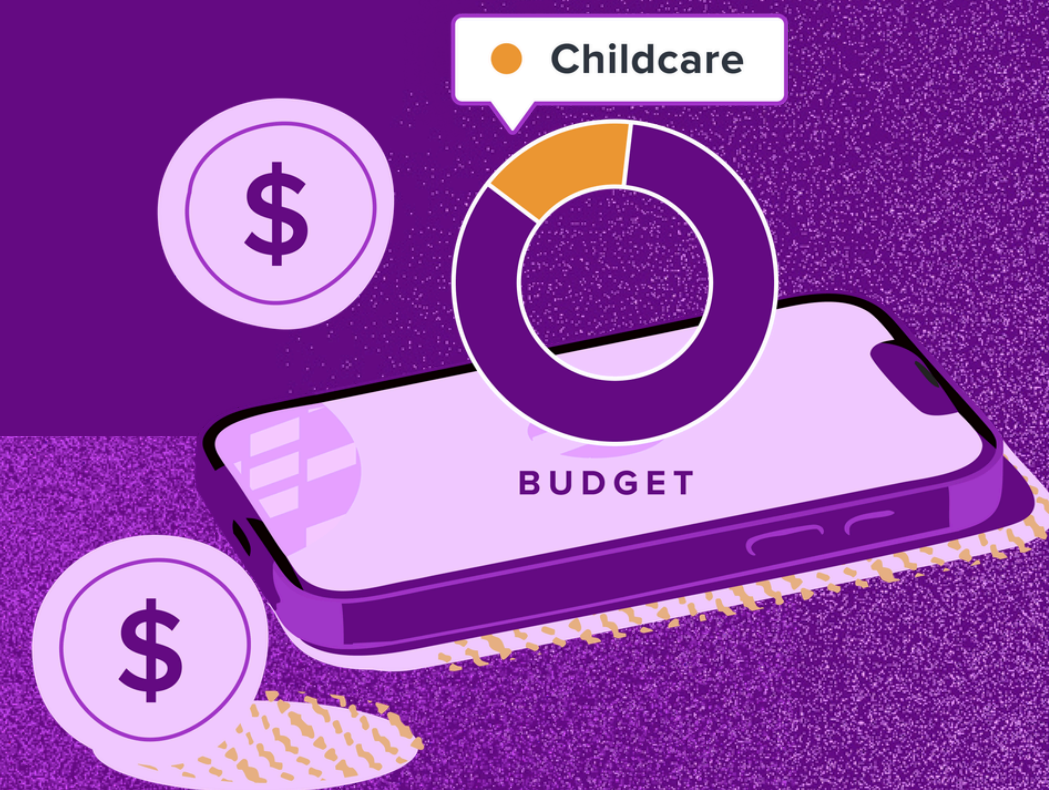
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01

Who We Are

About PocketSmith

PocketSmith champions the quiet yet transformative work of the Household CFO — the individuals who manage the financial heartbeat of their homes. Founded in 2008 in New Zealand, we are an independent, bootstrapped company built on the belief that financial tools should be as dynamic and adaptive as the lives they support.

Today, we proudly serve a global community of over 300,000 users across 190+ countries – including the U.S. From meticulous planners striving for early retirement to parents planning for their children’s college education, PocketSmith equips individuals and families with powerful forecasting, flexible planning, and real-time insights to achieve their financial goals.

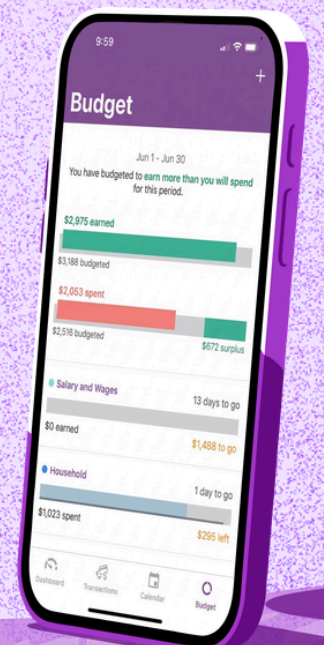
The PocketSmith Team



A Compass Through Financial Storms

Household CFOs in America are undergoing a time of great financial upheaval. Whether it’s the cost-of-living crisis or legislative changes that affect your personal finances, sometimes it can be difficult to get your bearings. PocketSmith calms the financial anxiety by allowing you to plot your own path forward with innovative budgeting tools.

Data privacy is at the heart of our approach — data belongs to our customers. We have never sold or used data for advertising purposes, and never will.



Executive Summary

In 2025, American PocketSmith users spent about 121% more out-of-pocket on childcare than the average spend of Kiwi, Australian and British households.²



A Global Perspective

The United Kingdom, Australia, New Zealand and the United States have some of the highest costs for childcare in the world — but they handle these costs very differently. Over the past six years, the three Commonwealth countries have expanded government subsidization of childcare costs, alleviating some of the burden on Household CFOs.

However, the United States has not done so at the federal level, and American households have seen a 29% increase in costs as a result.¹

Among PocketSmith's userbase, Americans far and away spent the most on childcare expenses in 2025. We'll dive into the numbers, and why the disparity is so massive.

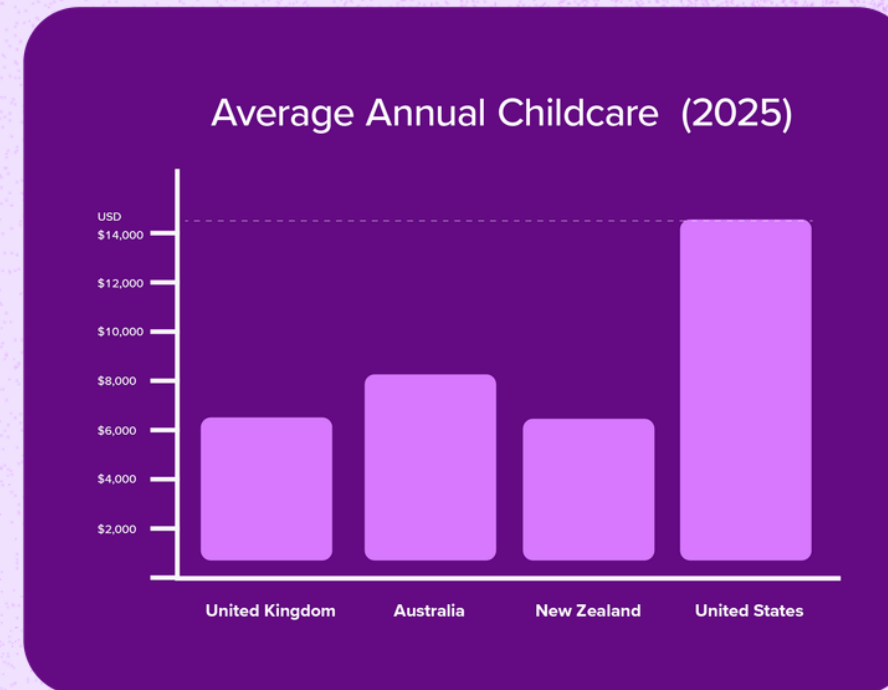
¹<https://19thnews.org/2026/01/high-child-care-costs-fertility-decisions/>

²<https://www.pocketsmith.com/spending/>

The Data

All spending amounts converted and listed in USD across all countries.

Country	Average Annual Spend on Childcare	Average Monthly Spend on Childcare
United Kingdom	\$5,979	\$498.25
Australia	\$7,931	\$660.92
New Zealand	\$6,077	\$506.42
United States	\$14,700	\$1,225.00



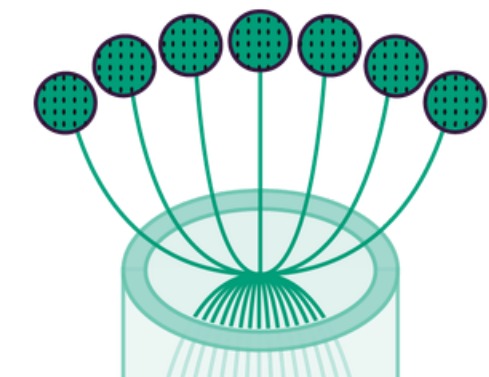
In 2025, American PocketSmith users spent about 121% more out-of-pocket on childcare than the average spend of Kiwi, Australian and British households.²

Child and Dependent Care Credit's minor mediating role

While tax credits can help reduce costs for some American households, this benefit is retrospective and moves on a sliding scale. Up to 50% of childcare expenses qualify for the Child and Dependent Care Credit in 2026, but the maximum benefit is \$3,000. Because this tax credit is non-refundable and the lowest-income earners who qualify for the maximum benefit typically carry no tax burden which could be reduced, the actual benefit to American households is typically less.

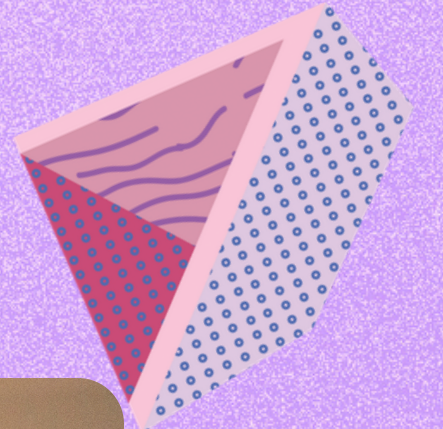
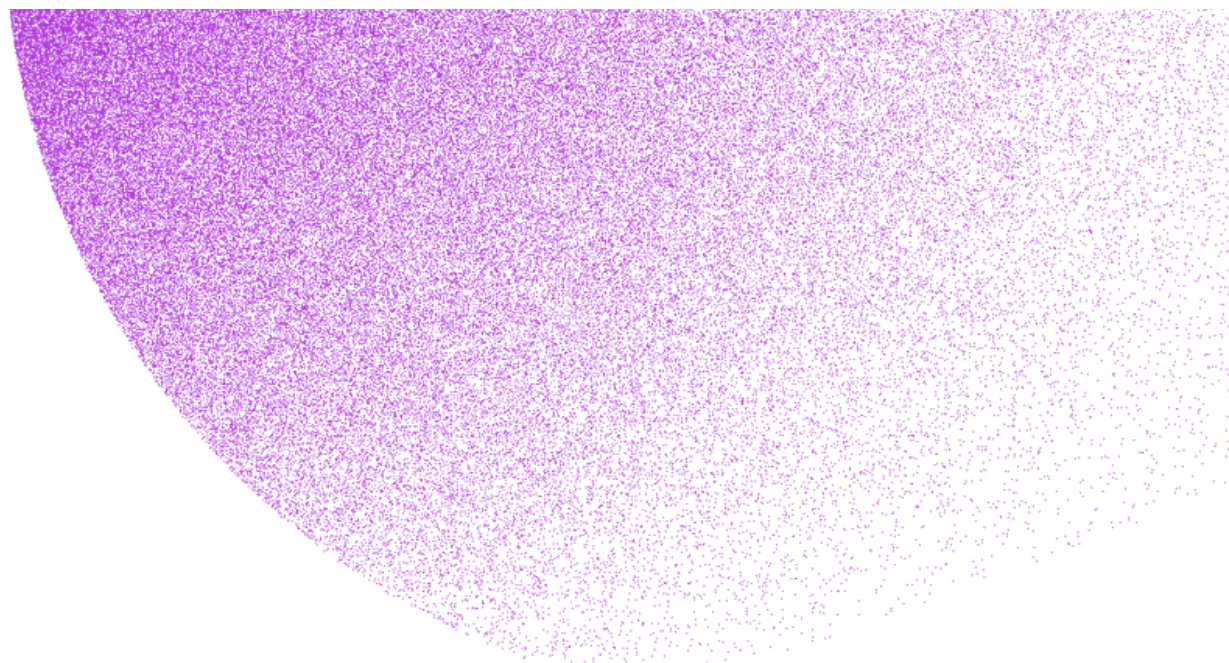
In 2025 the maximum credit was \$2,100. Even if a household qualified for the maximum benefit and was able to use it to reduce their tax burden, this would have effectively and retrospectively reduced their average annual spend to \$12,600, which is still 89% higher than the average of households in Australia, New Zealand and the United Kingdom.

²<https://www.pocketsmith.com/spending/>



Childcare's effects on maternal income and labor

High childcare costs and other social programming can have outsized impacts on women's labor decisions, and these decisions can have long-term impacts on lifetime earnings.



Gender pay gap

Of the four countries examined, the U.S. has the largest gender pay gap. In all the listed countries, the gender pay gap starts to widen around the time when women are typically bearing children and caring for young children. High childcare costs can contribute to the decision to step away from or reduce hours in the workforce, creating compounding effects across a career.

In Australia, women are currently outearning men prior to their early 30s, but do face a pay gap later in their careers. While pay gaps are smaller or negligible in all four countries for younger women, Australia's gender pay gap reversal for this age bracket is unique. About 50% of these early-career gains can be attributed to three factors³:

Higher educational attainment:

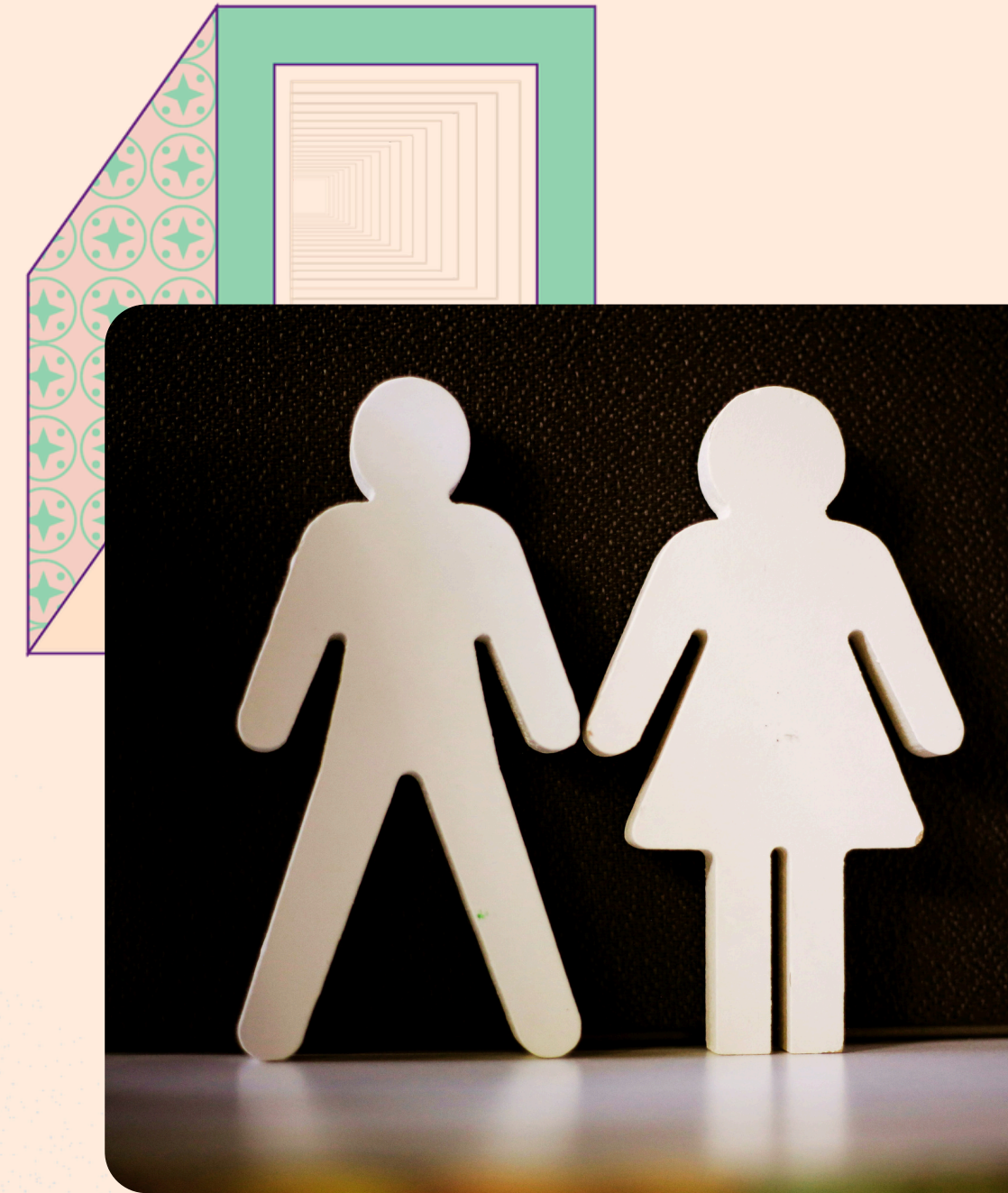
Young women in Australia are earning higher degrees in larger numbers than their male counterparts in recent years. This is true in the U.S., too, but American women still don't outearn men during these early working years.

Workforce participation:

More women than men are participating in the workforce at younger ages.

Increased pay for care workers:

In the years leading up to the pandemic and afterwards, pay for care workers in Australia increased. As these are roles typically filled by women, the pay bump contributed partially to the pay gap anomaly.



³<https://e61.in/how-the-care-economy-is-reshaping-the-labour-market/>

The potential of care work in the age of artificial intelligence

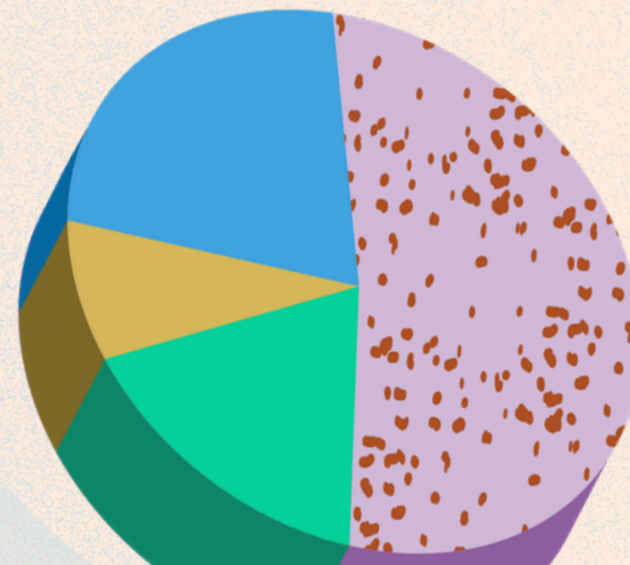
This final point is one of note in the age of artificial intelligence. Academic researchers point to careers that require human interaction as relatively recession-proof in a worst-case labor market scenario if AI gains further use-case capabilities.⁵ Care work is one of those career paths. If governments invest in salaries for these positions – whether through regulation or subsidies – it could help narrow gender pay gaps.

However, historically the concept of comparable worth has not been realized. This means that when women dominate a field, that field tends to pay less. If men enter the field in meaningful numbers, the pay tends to go up holistically, but a gender pay gap presents or widens, meaning that women don't typically reap the lion's share of the benefits. These forces, in combination with any government investments, would need to be considered for women to see long-term benefits.

Country	United Kingdom	Australia	New Zealand	United States
Average annual childcare costs	\$5,979	\$7,931	\$6,077	\$14,700
Global gender pay gap ranking ⁴	4	13	5	42
Gender pay parity score ⁴	83.8%	79.2%	82.7%	75.6%

⁴<https://www.weforum.org/publications/global-gender-gap-report-2025/in-full/benchmarking-gender-gaps-2025/#global-results>

⁵https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5028371



Labor market participation

Work patterns of American mothers are unique

American women participate less in the workforce overall, but when they do, they tend to work full-time more often.⁶ This, in part, can be attributed to the high cost of childcare and lack of other social safety nets.

When out-of-pocket expenses for childcare are incredibly high, couples may consider one partner staying home. Due to America's large gender pay gap, the most economic choice tends to be the mother.

However, large gaps in your resume tend to follow you throughout your career. There is an increasing number of couples looking at childcare in the early years as an investment in the mother's long-term earning potential.

This outlook is only possible, though, when the household has the financial bandwidth to shoulder those upfront costs. With America's massive wealth gap, a large portion of households may not be able to take on that initial investment, resulting in a systemically-imposed workforce opt-out for a larger number of partnered mothers.

Full-time work also has more nuanced implications in America. The country has no public healthcare system, which means that except for those at lower income levels who live in ACA expansion states, health insurance and therefore healthcare access is typically tied to full-time work. Mothers who do work may be more likely to do so full-time both to cover the costs of childcare and to access these social benefits which are embedded in the private sector.

Because social safety nets are more robust in other countries, mothers may have an easier time accessing childcare subsidies if they work part-time in these three Commonwealth countries. This is often something we hear from mothers in New Zealand. They can reduce hours to gain access to subsidized childcare without necessarily tipping their household into poverty or entirely giving up their career – even if it makes income a little tighter through part-time hours. They can also access this state-subsidized childcare without worrying about access to employer-sponsored health insurance.



⁶https://webfs.oecd.org/Els-com/Family_Database/LMF1_2_Maternal_Employment.pdf

Single mothers

Out of the four countries examined, America is the only country where single mothers participate in the workforce more often than their partnered peers.⁷ This can once again be tied to the lack of social safety nets in the United States.⁸

Cash-based assistance for single mothers typically only exists at poverty-level income in the U.S., and benefits tend to be so small as to keep the mother in poverty, though there is some nuance across state lines. Some states require paternity information to access these state benefits in order to gain financial payment from the father to the state.⁹ Some mothers may avoid this process if the father is a danger to themselves or the child, or if these payments would reduce the father's economic situation further, preventing him from paying informal child support.

Without a partner in the household, health insurance and other benefits may be tied solely to the mother's employment situation depending on the family situation. This, in addition to a lack of cash-based assistance, means more single mothers find themselves in the workplace.



⁷https://webfs.oecd.org/Els-com/Family_Database/LMF_1_3_Maternal_employment_by_partnership_status.pdf

⁸<https://journals.sagepub.com/doi/10.1177/00027162221120758>

⁹<https://www.propublica.org/article/to-get-public-assistance-these-single-mothers-are-forced-to-share-intimate-details-about-their-families>



What can be done to fix America's excessive childcare costs?

Systemic solutions at the federal level would obviously be the most impactful way to create meaningful change across America. For those seeking solutions in the interim, though, here are some ways to alleviate American childcare costs in the nearer-term.

Mutual aid:

Many of America's most generous social programs originally started as hyperlocal mutual aid projects that grew. The gender pay gap in all four countries examined today widens when you take race into account – it is worth noting that Black women in America are to credit for many of these mutual aid efforts¹⁰, creating solutions in the face of extreme discrimination. Learning from these examples, engaging in a childcare group with other families in your community could be a way to start small while imparting a meaningful impact on the careers of all women involved. This could look like contributing to a shared childcare fund, or sharing childcare duties with other parents throughout the week or year, allowing everyone to work more and opt out of the workforce less.

Local advocacy:

Many of America's social programs are set up at the state or even local level. Headstart programs are an example of this – the way a state administers these pre-K programs can have an impact on mothers' careers. When you advocate for better local or state policies, you have a better chance of getting your voice heard, and a better chance of seeing the impact at a faster pace.

Providing work-from-home opportunities:

Employers can do their part by providing flexible scheduling and work-from-home opportunities. These setups allow women to manage gaps in childcare while still fully and meaningfully participating in the workforce.

Dependent care FSAs:

As you're searching for work, look for employers who offer dependent care FSAs. These accounts allow you to contribute up to \$7,500 of your pre-tax income (as long as you're not married-filing-separately) to spend on childcare expenses throughout the year. Depending on your tax bracket, this may not save you a ton – it effectively reduces your taxable income by \$7,500, which could then reduce your tax burden by hundreds of dollars. But every little bit matters when costs are so high.

¹⁰<https://www.pocketsmith.com/blog/20-women-who-made-american-money-history/>

Start the conversation with



Brynne Conroy

American Markets

brynne@pocketsmith.com