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WHAT DO CACHE VALLEY FAMILIES DO WITH THEIR MONEY?

By Lloyd A. Clement, Extension Economist

They spend it! Use it to support their standard of living, sometimes referred to as "life style." In fact, last year a random sample of Cache Valley families showed they spent 86¢ of every dollar they earned to support their "life style." It didn't seem to matter whether they lived in the city or in rural areas of the county--it ended up about the same. Housing costs for rural families were a little less than for city families, but higher transportation costs for the rural families about offset that for their lower housing expenses.

On the whole, food, housing and installment debt represent the most important problem areas regarding the use of money that Cache Valley families have. About 15% of a family's gross income is spent for food in Cache Valley, and about 27% of that is spent eating out of the home. Housing and household operations (utilities, maintenance, mortgage, rent, etc.) take another 20%, and installment debt consumes still another 20% of the gross income. These three expenditures add up to 55% of the total outgo.

Food costs in Cache Valley are about 5% lower than for the nation, on the average. However, it appears that the Valley is following national trends on the steadily increasing amount of food money being used for eating out. Families having two or more incomes, and those in their twenties and thirties, are setting the pace.

Housing costs include rent or mortgage payment on the principal place of residence plus utilities, maintenance, property taxes and housing-type insurance. It doesn't include furnishings and equipment. Nationally, housing costs use up about 25% of gross income so Cache Valley residents get another cost break.
Installment debt payments include vehicles, charge accounts, credit cards, notes payable, etc. of 5 years or less duration and not an investment or savings type of commitment. These payments as a group also take about 20% of gross income for Cache Valley families and also follow national trends.

Food, housing and installment expenditures tend to be problem areas for Cache Valley money managers because they are relatively inflexible. Food is a basic necessity to sustain life and cannot be postponed for any length of time, or even reduced very much either by volume or cost. Clothing, on the other hand, can be postponed indefinitely, if necessary. Housing is also inflexible but can only be reduced in cost by moving, usually to a less desirable location and condition. Installment payments once committed become fixed, and the money allocated to them is not available for family use until after the last payment is made.

It is interesting to note that living standards are established by habit; then they become almost impossible to reduce. This is why more and more Cache Valley families are becoming two-income families, so that the accustomed living standards can be maintained. Otherwise, taxes and inflation would force a reduction in many family life styles. Young married couples strive mightily to set up housekeeping closely resembling that of their parents, to which they are accustomed. Many of them succeed with both spouses working and often committing 40% or more of their income to installment payments.

Even though Cache Valley families spend 86 cents of every income dollar, they also save 14 cents of it. This money becomes extremely important to a family since this is the reserve that protects the installments, housing
and food expenditures against unexpected changes in income, or emergency-type costs. The 14 cents is "saved" in a number of ways, i.e. passbook savings, credit union shares, life insurance, time certificates, annuities, retirement program, stocks, bonds, jewelry, gold, silver, real estate, automobiles, furnishings and equipment, etc. However, even some of these are inflexible while others are not even available for use for years to come.

Wise money managers in Cache Valley control their expenditures by staying within reasonable guidelines for installments and housing costs. They then allocate some funds to a regular "savings" program that has three parts:

1. Highly liquid funds for emergencies and unexpecteds.
2. Intermediate type "savings" where money is accumulated into an investment block.
3. Long-term savings and/or investments.

To do this effectively takes time, effort, and a lot of self discipline.