COLUMN COMMENTS

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What do rising prices mean to families? How are dollars being stretched to go as far as they used to? Extension study group members, like all families, were discussing these issues during May. As they talked to one another in small groups of 15 to 25 they found that the impact varied. For some, living patterns had changed little. For others, inflation was cutting into the budget enough to affect basic necessities.

What have price increases meant for your family and others in your neighborhood? To help you look at your own situation and to gain empathy for others, let's look at how two families fared over the last 13 years—1961 through the end of 1973.

A family in which the ages in 1961 were as follows—husband age 30, wife age 25, boy six and girl five—might find themselves in this situation. Their gross income from wages in '61 was $7,800. By 1973, it had risen to $13,801. What happened to their expenditures during this time?

The USDA Consumer and Food Economics Institute studied this question by using the Cost of Living Index which measures the prices of all goods and services and by plugging in all increases in taxes and social security payments. The study made the assumption that the family continued to buy about the same quanitity and quality of items, adjusting only food and clothing purchases to meet the changing needs of family members growing older. What did they find? Expenses had risen from $6,628 in 1961 to $9,874 by the end of '73. Tax costs had climbed from $1,153 to $2,528. Yet, when compared with wage increases, income exceeded costs by about $1,400.

For this wage-earner family—and families in general whose incomes have kept pace with average earnings in private industry—they have been able to maintain and perhaps slightly improve their level of living in 13 years if they do not now have additional family members or extraordinary expenses such as college expense or large medical bills.

What about the retired family whose 1961 income of $4,740 from a pension did not change during the years. How did they fare? The budget situation was not as favorable. In fact, expenditures exceeded income in every year except one, 1965 when a substantial reduction in income taxes due to changes in federal rates brought a slight budget increase. Thereafter, although chanes in income tax provisions resulted in further declines in federal income taxes, increases in consumer prices more than offset these. By 1973, the difference between income and expenses amounted to nearly $1,000. For the retired couple, purchasing power had been eroded by hearly one-fifth.

Reviewing income tax records and using the Cost of Living Index figures can help one realistically examine his own situation. Some families who feels that their higher incomes are not covering higher costs may find that they have actually moved up in their scale of living without allowing for the fact that part of each wage increase must be used to pay the higher price of consumer goods.

Others may find that the earnings of family members have not kept pace with average wage increases in their area, that changes in the size of family or special needs of individuals within the family have required greater expenditures. For some, temporary high expenses such as housing, medical care or education have squeezed the family budget.

By accurately identifying the source of the problem, the family can begin to see possible actions they can take to ease financial stress. These may include new ways to increase income or methods to reduce the over-all scale of living. Or, it may mean adjusting certain expenses to compensate for necessary increases in other items. Even families who are keeping even with rising prices will want to think ahead to an income maintenance plan that will help them continue at their chosen level of living during periods of rising prices.

Cost-of-living increases in social security benefits and in some pension plans can help provide this protection. Families planning on retirement income from investments will want to be sure their plan will provide an increasing amount of return to cover price rises.