

Family Living Expenses



Dr. Monte Vandevveer

Department of Ag Economics-Kansas State University

Monte Vandevveer joined the KSU Extension Farm Management team in February 2016 as the Southwest Area extension agricultural economist, based in Garden City. He grew up on a farm in south-central Kansas with wheat and cow-calf operations. He received B.S. and M.S. degrees in agricultural economics from Kansas State University and a Ph.D. in ag economics from Purdue University. Besides working for K-State Research and Extension, he also has experience working with the Economic Research Service, (USDA), the University of Nebraska-Lincoln's Extension Service, and volunteer service in Vietnam. He has a special interest in risk management, particularly crop insurance.

Email: montev@ksu.edu

Phone: 620-275-9164



Can we tighten our belts?

**Farm Household Income
and Family Living Expenses**

Dr. Monte Vandevveer

KSU Extension Agricultural Economist

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Overview

- How have farm incomes and living expenses changed over the past several years?
- What categories of household spending might offer some promise for reduction?
- Some simple tools for managing family spending decisions

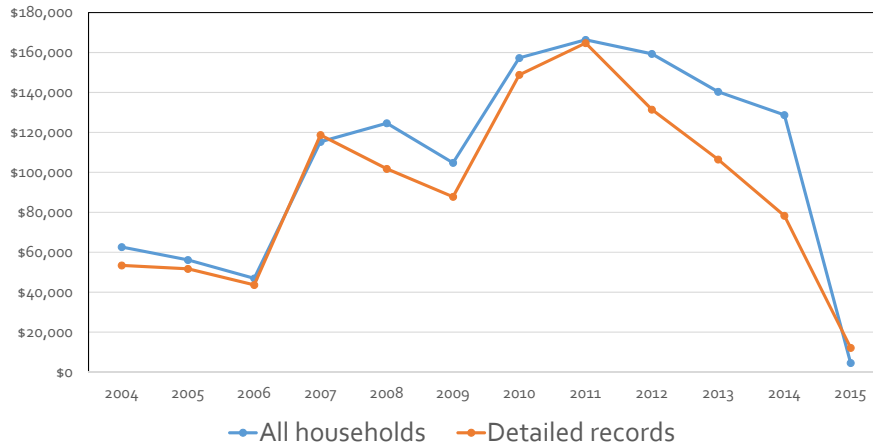


KS farm household income and expenses

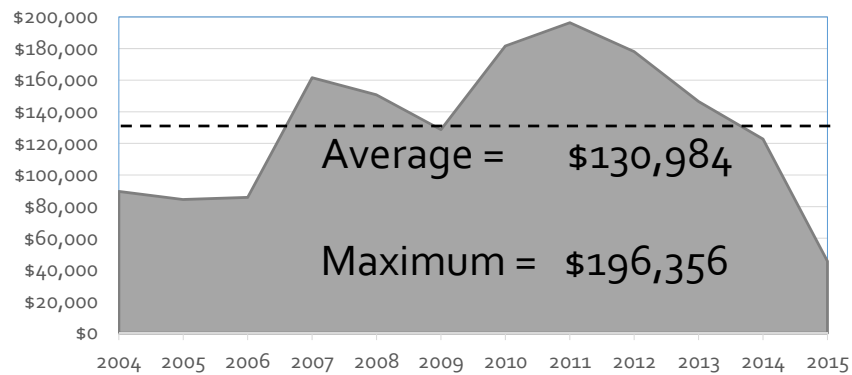
- KFMA member records over 2004-2015
 - $\approx 1,200$ members in 2015
 - ≈ 400 kept detailed records for family living expenses
- Income: farm and non-farm
- Expenses: 17 expense categories
- Caveat: no household is "average"



KFMA net farm incomes, 2004-2015 two groups



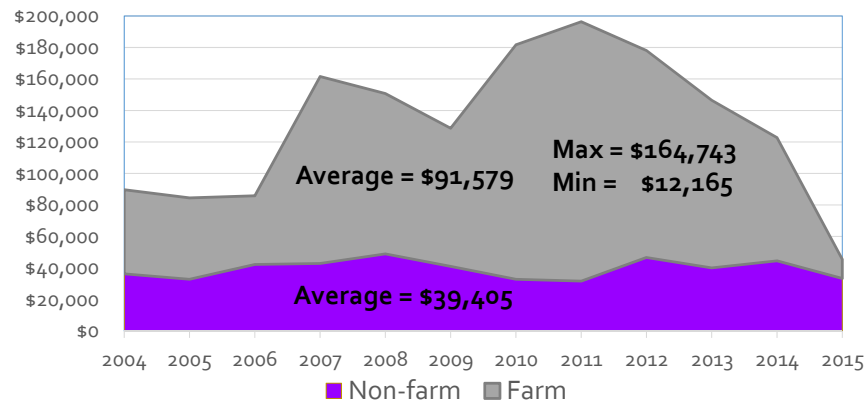
KFMA Total HH income (all sources), 2004-2015 for ≈ 400 families with detailed records



Source: KFMA annual reports of family income and living expenses



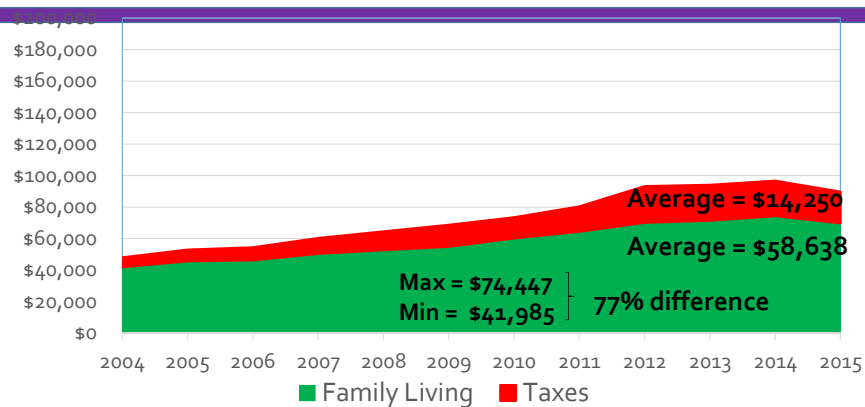
Farm and non-farm income



Source: KFMA annual reports of family income and living expenses



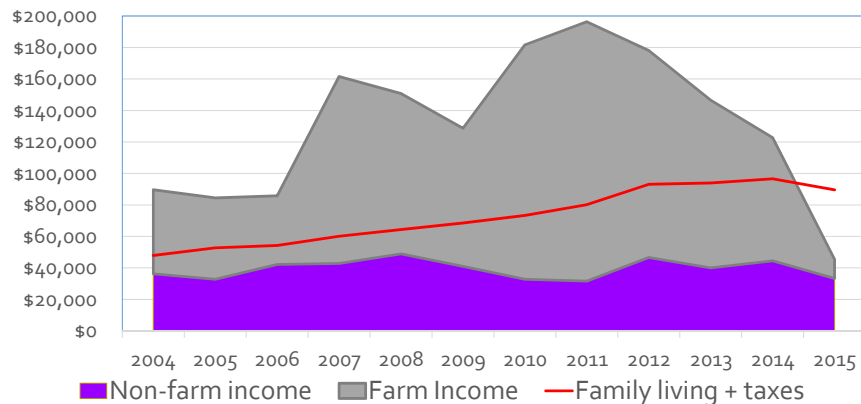
Spending: family living expenses & taxes



Source: KFMA annual reports of family income and living expenses



Inflow vs. Outflow



Source: KFMA annual reports of family income and living expenses



So the situation is...

- On the income side:
 - Farm income represents the major source of household income for KFMA families
 - Farm income is highly variable
 - Farm income was at record high levels for several years, so there was an extended period with significant potential savings



So the situation is...

- **On the income side:**

- Farm income has declined 4 consecutive years from 2011 peak; 2016 probably will be 5th year
- Farm income prospects for next few years are meager
- Non-farm income not sufficient to cover family living expenses for typical household
- Significant increase in non-farm income is not likely for many HH's; limited off-farm income opportunities in many rural areas



So the situation is...

- **On the spending side:**

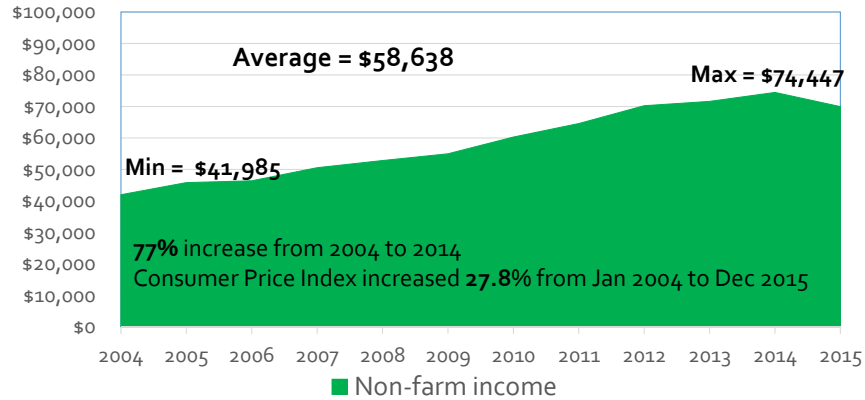
- Household spending increased significantly (over 70%) during this period; are there places to cut back?

- **Where will we make up the difference?**

- Average household had a \$40K deficit of spending over income
- Consolation: income taxes will decline as farm income declines
- Need to take closer look at family living expenses...



KFMA family living expenses, 2004-2015



Source: KFMA annual reports of family income and living expenses



Family living expenses, by category

Average household: average expense, low, high, % difference over 2004-2015

Expense Category	Average	Lowest	Highest	% difference, Low to High
Personal - Recreation	\$ 8,994	\$ 6,212	\$ 11,535	85.7%
Household Operation	\$ 7,409	\$ 5,131	\$ 9,997	94.8%
Food Purchased	\$ 7,141	\$ 5,751	\$ 8,617	49.8%
Health Insurance	\$ 6,006	\$ 4,153	\$ 8,320	100.3%
Doctor - Other Medical	\$ 4,520	\$ 4,147	\$ 4,882	17.7%
Contributions	\$ 4,106	\$ 2,492	\$ 5,608	125.0%
House Upkeep & Repairs	\$ 3,809	\$ 1,857	\$ 6,490	249.5%
Gifts	\$ 2,986	\$ 1,737	\$ 4,680	169.4%
Life Insurance	\$ 2,985	\$ 2,237	\$ 3,816	70.6%

(versus overall family living increase of 77%)

Source: KFMA annual reports of family income and living expenses



Family living expenses, by category

Average household: average expense, low, high, % difference over 2004-2015

Expense Category	Average	Lowest	Highest	% difference, Low to High
Auto Expense	\$ 2,511	\$ 2,023	\$ 3,198	58.1%
Utilities - Telephone	\$ 2,255	\$ 1,800	\$ 2,583	43.5%
Clothing	\$ 1,717	\$ 1,428	\$ 2,000	40.1%
Furniture - Equipment	\$ 1,520	\$ 1,045	\$ 1,913	83.1%
Education	\$ 1,512	\$ 1,181	\$ 1,752	48.3%
Bank Interest	\$ 554	\$ 363	\$ 698	92.3%
Miscellaneous Expense	\$ 547	\$ 328	\$ 1,066	225.0%
Child Care	\$ 340	\$ 192	\$ 652	239.6%

Source: KFMA annual reports of family income and living expenses (versus overall family living increase of 77%)

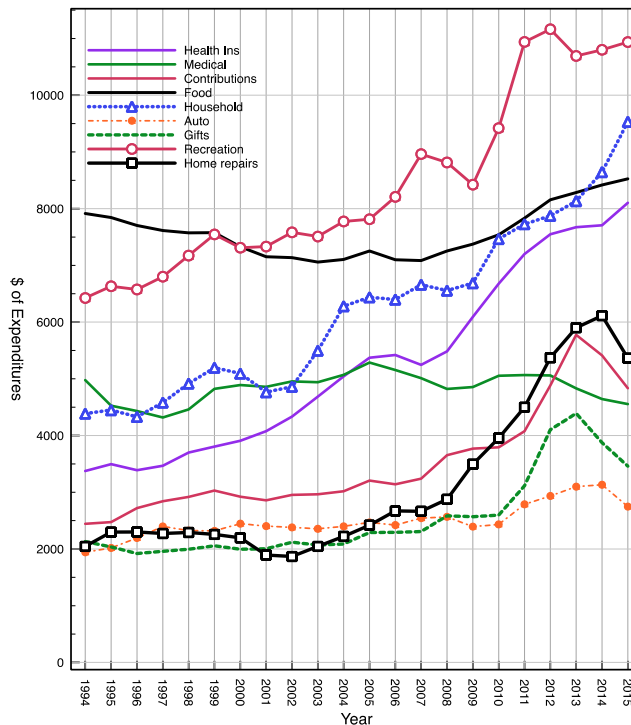


Figure 2. Family Living Expense Categories



Some households already in deep water: KFMA 2015 net farm income distribution

Net Income Range	% of Farms
Over \$300K	2.77
\$200K to \$300K	3.45
\$100K to \$200K	10.09
\$50K to \$100K	14.58
\$0 to \$50K	24.68
\$0 to \$50K loss	21.66
More than \$50K loss	22.78

(44.44% negative)

Source: KFMA Executive Summary, 2015 PROFITLINK Analysis



Getting a handle on HH spending

- Better records!
 - Gives us more information on our actual spending
 - Better able to identify which expenses to change, and how much change might be possible
 - Software like **Quicken** is inexpensive and relatively easy to use



Household budgeting tools

- Lots of resources available from extension
 - KSU: *Spend Some, Save Some, Share Some: Family Budgeting* fact sheet (MF3306) and leader's guide (MF3307)
 - Iowa State: "*Managing Farm Family Finances*," C3-51, <https://www.extension.iastate.edu/agdm/wholefarm/pdf/c3-51.pdf>
 - Minnesota: "*Live Healthy, Live Well*," <http://www.extension.umn.edu/family/live-healthy-live-well>
 - Healthy Wallets
 - Healthy Minds / Getting Through Tough Times



Spending Plan—Short Form
How Much Money Do I Have?

Monthly Income

Wage/Salary (take-home pay for 1 month)	_____
Wage/Salary	_____
Commission	_____
Overtime Pay	_____
Social Security Benefit	_____
Pension	_____
Veteran's Benefit	_____
Advanced Earned Income Tax Credit Pmt. (AEITC)	_____
Child Support	_____
Spousal Maintenance Received	_____
Unemployment compensation	_____
Worker's Disability Compensation	_____
No Taxes Removed Income:	
Tips	_____
Contract Work	_____
Cash Income	_____
Other:	_____
Other:	_____

1. Total Income _____

Assistance

Food Support Program (formerly Food Stamps)	_____
Women, Infants, & Children (WIC) Program	_____
Supplemental Security Income (SSI)	_____
Temp. Assistance For Needy Families (TANF/MFIP)	_____
Child Care Assistance (paid directly to provider)	_____
Housing Assistance (paid directly to landlord)	_____
School Lunch	_____
Energy Assistance	_____
Other:	_____
Other:	_____

2. Total Assistance _____

3. Total Income & Assistance _____

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Spending Plan Summary

Monthly Income Summary

1. Total Income	_____
2. Total Assistance	_____
3. Total Income/Assistance	_____

Monthly Expense Summary

4. Set-Aside Funds	_____
5. Housing	_____
6. Transportation	_____
7. Health	_____
8. Food	_____
9. Payments, Fees	_____
10. Overdue/Monthly Bill Payments (not included on spending plan short version)	_____
11. Personal	_____
12. Recreation	_____
13. Total Expenses	_____
14. Do my Income and Expenses Balance?	
(Income minus Expenses)	_____

Keeping a family spending plan each month can help you balance total expenses with total income and assistance. If the spending plan is "out of balance," meaning expenses are more than income and assistance, you need to make changes for the next month.

Spending Plan–Short Form**Where Does the Money Go?****4. Set-Aside Funds**

Emergency _____
 *Income Tax (self-employment) _____
 *FICA (self-employment) _____
 Education _____
 Retirement (non-employer) _____
 Ind. Dev. Acct. (IDA) _____
 Non-monthly expenses _____
 Special Events _____
 Other: _____
Total: _____

*Guide for tax set-aside funds: _____
 FICA 15% & Cash Income 10% to total 25%

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5. Housing

Rent or Mortgage _____
 Second Mortgage _____
 Electricity _____
 Heat/Gas _____
 Water, Sewer _____
 Garbage _____
 Phone: Land Line _____
 Phone: Cell _____
 Cable/Satellite _____
 Internet _____
 Property Taxes _____
 Property/Renter Ins. _____
 Home Maintenance _____
 Other: _____
Total: _____

6. Transportation

Gas _____
 Maintenance (oil), _____
 Repair _____
 Loan Payment _____
 Insurance _____
 Public Transportation _____
 Car Pool _____
 Other: _____
Total: _____

7. Health

Doctor (co-pay) _____
 Dentist _____
 Eye Care/Glasses _____
 Prescription _____
 Non-Prescription _____
 Drugs _____
 Hospital _____
 Medical Clinic _____
 Health Insurance (non-empl.) _____
 Life Insurance (non-empl.) _____
 Counseling/Therapy _____
 Other: _____
Total: _____

8. Food

Food at Home/Groceries _____
 Eating Out _____
 School Meals _____
 Baby Formula/Food _____
 Snacks _____
 Non-Alcoholic Beverages _____
 Other: _____
Total: _____

Action Page 3-4**9. Payments and Fees**

Credit Card _____
 Credit Card _____
 Credit Card _____
 Loan: _____
 School Loan/Tuition _____
 Child Support Payment _____
 Spousal Maint. Payment _____
 Remittance Payment _____
 Other: _____
Total: _____

11. Personal

Clothing, Footware _____
 Clothing Care, Laundry _____
 Personal Care _____
 Household Supplies _____
 Child/Elder Care _____
 Babysitting _____
 Diapers _____
 School Supplies and Fees _____
 Children's Allowance _____
 Alcohol _____
 Gambling/Lottery _____
 Tobacco/Cigarettes _____
 Gifts _____
 Donations/Contributions _____
 Other: _____
Total: _____

12. Recreation and Entertainment

Hobbies _____
 Reading Material _____
 Movies _____
 CDs, DVDs, Games _____
 Events (sports, concerts) _____
 Pets (supplies, vet.) _____
 Membership Dues _____
 Other: _____
Total: _____

Closing observations....

- Farm income is down, and family living expenses will have to be cut for many farm households
- Categories where spending may be reduced? Some good candidates:
 - Personal / recreation
 - Household operations
 - House upkeep & repairs
 - Gifts
 - Furniture & equipment
 - Contributions

Closing observations....

- Better records: where cuts are possible, how much might be saved
- Time for HH budget review; defer some spending
- Cutting household expenses will not be sufficient for some families
 - Will have to draw upon savings or other resources to cover a share of family living expenses



Questions?
Comments?
Thank you!

Dr. Monte Vandever
KSU Extension Agricultural Economist
Email: montev@ksu.edu
Phone: 620-275-91641



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