



Analyzing Your Housing Costs

The Texas A&M
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**Texas
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Daniel C. Pfannstiel, Director
College Station

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Sue Young*

How much can you spend for housing and still provide for all the other needs of your family? Look very carefully at your expenditures to decide if any changes can be made to increase your family's satisfaction in housing.

To analyze your housing costs:

1. Determine all expenditures stemming from your family's housing. List your fixed monthly payments and estimate a monthly average for payments due once or twice a year, or that vary throughout the year.

Rent or house payment (taxes and insurance may be included) _____

Home furnishings _____

Utilities: _____

Electricity _____

Gas _____

Water _____

Telephone _____

Equipment, care and repair _____

Property taxes _____

Property insurance _____

Maintenance (lawn care, painting, cleaning supplies, etc.) _____

TOTAL _____

*former Extension real estate specialist, The Texas A&M University System.

2. Now list your average monthly expenditures for all other areas of family living. (Do not list items deducted from salary.)

- Food _____
- Clothing _____
- Transportation _____
- Medical _____
- Recreation _____
- Education _____
- Life and health insurance _____
- Contributions and other gifts _____
- Taxes _____
- Installments _____
- Savings _____
- Other _____
- TOTAL _____

3. Add 1 and 2 for total monthly expenditure: (1) _____
(2) _____
TOTAL _____

4. Average monthly take-home pay: _____

5. Difference (plus or minus) between 3 and 4: _____

If your average monthly take-home pay is more than your average monthly expenditures, you are probably doing a good job of financial management. To change your housing situation and continue good management, think about these basic considerations first:

- Your income and family size.
- Your age and the stage of your family.

- Your tastes and values, as shown by your preferred life style.
- General economic conditions of the community.

Your Income and Family Size

The amount of money you can borrow to buy a home usually depends on your earning ability as well as your present income. According to one rule of thumb, a family can afford a house that costs two times the annual income of the main earner. Or, monthly payments for housing should equal about one week's take-home pay.

The larger your family, the more space you will need. Although space requirements are not directly proportional to the size of the family, larger families usually need more space for sleeping and privacy.

The need for dining space varies with the family's way of life. Families who entertain a lot may want a separate dining room; others like to combine the area with the kitchen. A general purpose room such as a den or "family room" also enables effective use of space.

As a rule, the larger your home, the more it will cost to buy or build. And the larger your family, the more you are likely to spend for food, clothing and other expenditures.

Your Age and the Stage of Your Family

Unfortunately, the greatest demands on the family income often come when the wage earner is young and the family is growing. Very young families and older, retired couples often pay a higher percentage-of-income for housing than the middle-aged family in which the wage earner has hit an earning-career high.

If you are a young wage-earner, consider these questions:

- What are the prospects for higher income?
- Do you expect the family to continue growing?
- What are the competing needs for the growing family?
- Are you in a job where seasonal unemployment or union strikes threaten the income flow?

Older wage-earners should consider these questions:

- Is there a real prospect for a reduced or fixed income in the future?
- Is it desirable or necessary to spend less on housing as the family gets smaller?
- Can home maintenance be provided at less physical and financial cost?
- How will transportation needs change in your retirement years?

If both husband and wife are working, consider how long that situation will continue.

- Have you made plans for maintaining your current scale of living if one earner stops working?
- Do you have a savings account for emergencies?

Your Tastes and Values

How important is housing to you and your family? Your tastes and values in all areas of family living should help you decide how much to spend for housing. Be prepared to devote time to upkeep and maintenance. Where do you want to live? Consider the practical aspect of transportation to work, school, shopping and other activities.

Economic Conditions

Periods of inflation affect the price of housing and may alter people's thinking about housing expenditures. Recession and unemployment also cause concern, not only about housing costs, but all living expenses. Economic conditions also affect interest rates and scarcity of housing.

Housing is an important item in the spending plan of most families. Because it fulfills essential human needs and represents an investment in goods and services that are continually used, most people feel it warrants the necessary budgeting and planning.

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