

## Average Household Budget

by **Rebecca Webber**

Most U.S. households have the same major categories of expenses, which give us a roof over our heads, food in our bellies, clothes on our bodies and a way to get to and from work or school. But depending on your circumstances or your stage of life, you might also be spending a ton on [childcare](#), on college tuition or on [healthcare](#).

Average Household Budget in the U.S.

The average income in the U.S., by household, was \$63,784 in 2013, according to the [Consumer Expenditure Survey](#) conducted by the U.S. Bureau of Labor Statistics. Here's how the average household budget breaks down:

<b>Expenditure Category</b>	<b>Annual Average Cost</b>	<b>% of Budget</b>
Housing	\$10,080	16%
Transportation	9,004	14%
Taxes	7,432	12%
Utilities and Other Household Operational Costs	7,068	11%
Food	6,602	10%
Social Security Contributions, Personal Insurance and Pensions	5,528	9%
Debt Payments or Savings	5,252	8%
Healthcare	3,631	6%
Entertainment	2,564	4%
Cash Contributions	1,834	3%
Apparel and Services	1,604	3%

Expenditure Category	Annual Average Cost	% of Budget
Education	1,138	2%
Vices	775	1%
Miscellaneous	664	1%
Personal Care	608	1%
<b>TOTAL</b>	<b>63,784</b>	<b>100%</b>

### Average Cost of Housing

The average U.S. household spends \$17,148 on all things related to housing. That's an average of \$10,080 for direct payments on rent or mortgage interest, property taxes and insurance, as well as any lodging costs on out-of-town trips. The remaining \$7,068 covers utilities and other household operational expenses and equipment.

About 64% of U.S. households own their home, and more than half of homeowners have a mortgage. Homeowners pay an average of \$9,552 per year (nearly \$800 per month) on mortgage interest, property taxes and other expenses such as maintenance, repairs and [homeowners insurance](#). The average mortgage payment also includes an additional amount each month that goes towards the principal, effectively turning cash earnings into home equity.

Average rent in the U.S. is \$784 per month. The 35% of Americans who rent pay just a little less than homeowners each year for their rent, maintenance costs, and [renters insurance](#), an average of \$9,477. This figure encompasses a wide range of rents from smaller towns to major metropolitan centers such as Los Angeles and [New York](#).

### Rent or Buy?

### Average Annual Costs

Average annual cost to rent (including maintenance and insurance, if any)	\$9,477
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Average annual homeowners costs (not including equity)	9,552
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This side-by-side comparison reveals that, contrary to conventional wisdom that says renters are throwing away their money, homeowners actually spend more each month on non-recoupable costs in every region of the country, except the South. As a financial decision, [buying a home](#) might only pay off if its underlying market value appreciates significantly over time.

Costs for a regular roof over your head, whether rented or owned, plus expenses for any other lodging, such as hotel costs, typically eat up nearly 16% of an average household's income

Americans spend an additional \$7,068 per year, on average, on products and services that make our dwellings livable. The biggest expense here? Our recurring bills for electricity, heating and cooking fuels, water/sewer/septic, trash collection, and phone service (including cell phones). The average cost of utilities per month is about \$320.

About 71% of us also report expenses for household operations, spending \$1,581 on average (or \$132 per month) for services that might include babysitting or eldercare, housecleaning or lawn mowing, laundry and dry cleaning, pest control, and home security systems.

And just over half of homeowners have annual expenses for furnishings and equipment, an average of \$2,209 per year. This includes everything from bath towels on the lower end to a new table for the living room or a new computer or refrigerator.

All told, and on average, U.S. households spend an additional 11% of our annual income, on top of the 16% for mortgage or rent costs, on things related to our homes. The 16% on permanent lodging and 11% on household expenditures totals 27% of the average household's income - that's just under the 30% level that experts and authorities decree burdensome for a typical family to put towards housing.

It's worth noting that most mortgage lenders will allow a mortgage payment to be as high as 28% of a family's income. At this level, a family's total housing costs, including utilities, furnishings and other operational costs could be painful for awhile. However, it should become more manageable over time, if income grows while the mortgage payment stays the same.

#### Average Transportation Costs in the U.S.

The second largest spending category for the typical U.S. family is transportation. For the average household, transportation costs are almost as much as what's spent on rent or the direct costs of home ownership: an average of \$9,004 annually.

Nearly 90% of U.S. households report spending money on gasoline, an average of nearly \$3,000 per year. The average cost of gas per month is \$250. Many of us are still paying for our vehicles, through leasing or financing. The [average cost of car insurance](#) is about \$907 per year. 20% of households regularly pay for some form of public transportation, about \$225 per month. And Americans also incur [transportation costs for vacations](#) and seasonal events when buying plane tickets, intercity bus, train and even ship fares.

#### Average Taxes Paid By U.S. Households

Taxes take a good bite out of American incomes, too. How much is tax? The average household pays \$7,432 in personal taxes, not including property taxes or sales taxes. The largest chunk is in federal income taxes, which does not include payments into the Social Security and Medicare systems. We pay, on average, 12% of our household incomes in personal taxes each year.

#### Average Food Costs in the U.S.

The typical U.S. household spends 10% of its income on food. The average cost of food per month is \$550 (that's \$6,602 each year). Approximately 60% of our food budgets are [spent on food](#) eaten at home, and the rest on food consumed when we're out and about.

While food is, of course, a necessity for life, it's often considered a fungible category in a household budget. After all, a family could dine on spaghetti or rice and beans, for pennies per meal. Or we could go out to a steakhouse and drop hundreds of dollars on dinner every night.

To gauge a basic minimum for food costs, we can look at the expenditures of America's poorest households, who are presumably eating as cheaply as possible. Those earning less than \$15,000 per year still spend about \$3,500 annually on food. They eat at home a little more often, about two-thirds of the time, but have meals out

the remaining third of the time. Other households, those earning more than \$70,000 per year, spend nearly \$10,000 on food, and eat out 45% of the time.

<b>Household Income</b>	<b>Food at Home</b>	<b>Food Away from Home</b>	<b>Total Food</b>
<b>Average U.S. Household</b>	<b>\$3,977</b>	<b>\$2,625</b>	<b>\$6,602</b>
< \$5,000	2,388	1,247	3,635
\$5,000 - \$9,999	2,433	1,138	3,571
\$10,000 - \$14,999	2,202	1,096	3,298
\$15,000 - \$19,999	2,959	1,123	4,082
\$20,000 - \$29,999	3,197	1,485	4,683
\$30,000 - \$39,999	3,267	1,810	5,077
\$40,000 - \$49,999	3,670	2,083	5,753
\$50,000 - \$69,999	4,043	2,690	6,733
\$70,000+	5,528	4,454	9,983

#### Average Social Security Contributions, Personal Insurance and Pensions

The typical U.S. household spends \$5,528 per year to protect its members from poverty in old age, or due to disability or death.

The majority of this expenditure comes from the household's contribution to Social Security. About 77% of households have this expense, paying \$5,275 on average annually (this may cover more than one worker). This money comes directly out of employees' paychecks, while matching contributions are made by the employer. Self-employed entrepreneurs pay both the employer and employee amount directly to the federal government via the self employment tax. Smaller percentages of households make payments into government, railroad or private retirement plans.

More than one in four U.S. households has either [life insurance](#), endowment, annuity or other personal insurance, at an average cost of about \$1,231 per year.

#### Average Debt Payments & Savings

U.S. households use about 8% of their income to either pay off debt, or increase savings—or sometimes both at the same time, as in the typical case of a mortgage payment. In 2013, for example, 38% of households

made average payments of over \$4,000 to mortgage principal, or home equity lines of credit. About 30% paid off an average of \$1,661 toward their vehicles. Some will stash it in a retirement account. Others may hang onto it, [saving up](#) for a car, a down payment on a house, a home renovation or a big vacation. And some made a dent in either credit cards balances or student loan principal.

### Average Cost of Healthcare in the U.S.

The rise in healthcare costs in the U.S. has been widely reported, and is revealed in households' reported spending in this area: \$3,631 on average. About 79% of households had healthcare expenses in 2013, the most recent year for which this data is available from the federal Consumer Expenditure Survey, but before the federal [health insurance mandate](#) went into effect. Within that 79% of households with any healthcare expenses, an average of \$4,365 was paid out in 2013, including health insurance premiums and out-of-pocket costs for doctors, prescriptions and medical supplies. The [average cost of health insurance](#) for U.S. households that reported making payments on it in 2013 was \$284 per month.

About 6% of U.S. household income goes to healthcare expenses, a percentage that has been rising in recent years.

The Affordable Care Act says that health insurance is affordable if premiums cost no more than 9.5% of a household's modified adjusted gross income. When it rises above that level, individuals and families start to become [eligible for subsidies](#) if they purchase insurance on the federal or a state health insurance exchange.

### Miscellaneous Budget Categories

**Spending on Entertainment:** Americans do find some time to enjoy their lives, as reflected in the \$2,564 the average household devotes to entertainment each year. Some 12% of households, though, report no such expenditures in a typical four-month stretch of time. That's no fun at all!

**The Cost of Looking Good:** Fast, cheap fashion, among other things, has helped lessen how much Americans spend on clothing and related services like dry cleaning and shoe repair. Average monthly clothing expenses are about \$134 (that's \$1,604 per year). We spend an additional \$51 per month (\$608 per year) on average for personal products like cosmetics and shaving cream, and services like haircuts and manicures.

**Our Generosity Toward Others:** About half of U.S. households are using some hard-earned money to support others—like kids in college, ex-spouses or children not living there. Or we're giving money to charities, religious, educational or political organizations, or other extended family members and friends. The households that give away money each give away about \$3,670 each per year.

**Average Spending on Education:** The increasing cost of education has also raised concerns in the U.S., and indeed, households reported spending 35% more on it in 2013 compared to 2006. It's a sporadic cost for most households, required in years when children are school- or college-age, or when someone else is taking classes or getting a degree. Households reporting this cost are paying an average of \$7,408 annually.

**The Cost of Our Vices:** We spend a fairly small proportion of our incomes on vices like alcohol, tobacco and lottery tickets—only 1% overall. About 20% of households still use tobacco, paying about \$139 per month (\$1,667 per year) on it. 37% of households spend on alcohol, an average of \$80 per month (\$970 annually). 12% of households play the lottery, gambling about \$37 per month (\$447 per year).

**Other Miscellaneous Expenses:** An additional 1% of our average annual income, about \$604, gets spent on miscellaneous expenses like interest charges on credit cards, dating services, legal fees or funeral expenses.

Consider how your own household budget breaks down each year in comparison to the numbers above. Are you overspending in any big categories? Could you shift some of your income into cash-starved ones? Knowing where your money goes is the first step to taking control of your personal finances.