How Your Family Can Live Within Its Income

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This publication is, as the title indicates, a discussion of how a family can live within its income. It was written in answer to many requests from individuals and families throughout Illinois for help in getting out of debt.

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YOUR FAMILY CAN LIVE WITHIN ITS INCOME. Any family can live within its income if it is above the subsistence level. This is the way to happiness, satisfaction, and a feeling of security for your family. All of these things are within reach for your family. Each of these goals can be attained to some extent through the wise use of money.

Whether your family is in the low-, average-, or high-income bracket, there is something your family can do to improve the amount of satisfaction it receives from the money it spends. Your family can attain a sense of economic security, with its side effects of happiness and satisfaction, by planning, working, and spending together.

Attaining economic security is a matter of degree. At the one extreme economic security may mean being able to pay all of your bills as they come due. At the other extreme it may mean being able to provide adequately for your retirement period as well as for the economic independence of your children. Whatever degree of economic security you wish to achieve at this time, there are a number of positive steps you may take to help your family reach its objective of economic security.

In the beginning, an economic security program will require time spent by all members of your family who are old enough to be involved. It will require time for understanding, reading, planning, and discussing. In addition, an economic security program for your family takes willpower, stick-to-itiveness, and cooperation.

When you reach the advanced stages of your economic security program you will feel that it has been worthwhile. Your family will have a foothold on economic security. It will be managing its money instead of just working to pay bills. Happiness and satisfaction are bonuses for families that really work at and stick to an economic security program. In the process you may find your family developing a greater feeling of closeness as well as a greater interest in discussing all kinds of family problems and working them out together.

No two family economic security programs will be identical, since no two families spend their money in exactly the same way. You may know some families who seem to get everything they want on a $6,385 annual take-home pay. Take the Webster's for example. They have learned the secret of family economic security.

On the other hand, you may know some families, like the Cunninghams, who are always fussing over money. They are always in debt.

At times their monthly payments exceed their monthly income. They never seem to be able to buy the things they want on an annual take-home pay of $6,385. If your family is like the Cunninghams, who sought the advice of the authors, there is a way for you to live within your income — to reach economic security.

The way the Cunninghams tackled their financial program is outlined in this circular. While this particular family is used as an example, families at much higher or much lower income levels could use a family financial program such as the one developed here.

CAN YOUR FAMILY LIVE WITHIN ITS INCOME?

The Websters can. Their present economic security position did not just miraculously happen. They worked out a program to reach economic security on their $6,385 annual take-home income. The program they adopted was similar to the one worked out for the Cunningham family in this circular.

The Cunninghams can. Their marriage was about to break up because of their financial problems. They could see no way out of debt. They could see no way to get everything they wanted on their $6,385 annual take-home pay. Your family can attain economic security if you are willing to commit yourselves to an intensive program. The Cunninghams were willing to do this. A modified version of their economic security program could work for you too.

Before we examine the Cunninghams' present financial situation, let's take a look at the Cunningham family. It's the first thing to do in appraising a family's financial situation.

WHO IS TO SHARE IN YOUR FAMILY INCOME?

Many factors influence the way your family spends its income. The size of your family as well as the ages and sex of its members, and the stage in the life cycle your family is in, are all important influences. Also to be considered are the father's occupation and the section of the country in which your family lives. Whether you live on a farm or in a city, and the size of that city, are other influences. The Cunningham family situation is as follows:

Name	*Relationship*	*Age*	*Years of school completed*
George	Father	34	12
Louise	Mother	32	12
Bill	Son	12	7
Mary	Daughter	11	6

Generally families go through seven stages in the family life cycle. Naturally, your expenditures will vary from the first stage, which is the establishment of the family, to the final stage, which is the retirement period. For example, the Cunninghams are in the elementary school period in the family life cycle. During this stage families usually have continuous increases in current expenses, especially for such items as food, clothing, and education.

Often persons wish to know how other families are spending their money so they can compare their expenditures with those of others. That is why we have chosen the Cunningham family as a specific example. But remember that families used for comparison purposes should be as nearly like your own as possible to make the comparison meaningful. Obviously, it would not be particularly helpful for a young married couple who had just established a family to compare their expenditures with those of older couples who were retired. The factors mentioned above are the most important ones to take into consideration if you are to make a meaningful comparison of your expenditures with those of other families.

HOW MUCH MONEY DOES YOUR FAMILY HAVE TO SPEND?

Now we are ready to look at the income side of your family's balance sheet. Generally, the most important single determinant of expenditures will be your family's income. The Cunninghams listed information on their family income (being careful to include only amounts they were sure of receiving). They started in January. Their January income list is reproduced below:

Our January Income

DATE	ITEM	AMOUNT
1	Wages (after taxes and other deductions)	$266.05
15	Wages " "	266.05

The Cunninghams received their income from wages. Your income list might include some of the following items: interest, dividends, rental income, transfer from farm or business account for family living expenses, gifts of money, pension, inheritances.

It is not difficult for families like the Cunninghams who receive a set wage or salary payment to make income lists for each month. It becomes difficult, but especially important, for families of self-employed farmers or businessmen who receive varying amounts of income from month to month. Often these families work out a plan whereby a certain sum is transferred each month from their farm or business account to family living. A family needs to have a fairly good notion of the minimum amount it can count on each month if it is to plan its expenditures realistically.

Try to follow the example set by the Cunninghams. After calculation, they decided they would have $6,385 a year or $532.10 a month to spend after payroll deductions had been made.

After figuring the amount of money you have available for each month, you are ready for the next step.

WHAT ARE YOUR FAMILY'S FIXED FINANCIAL COMMITMENTS?

Now the family needs to determine its fixed financial commitments for each month. The Cunninghams did this by getting out all of their bills, their credit commitments, and their checkbook. Then Mr. and Mrs. Cunningham had their children, who they felt were ready to participate in family planning, join them at the kitchen table. Each member of the family contributed information and help. They started with January and made a list of one month's money commitments as shown at the top of the next page.

The Cunninghams were amazed. They had no idea that they had committed themselves to so many things for one month. Then they took the amount of income they had available for January (after payroll deductions) — $532.10 — and subtracted their total fixed commitments for January — $405.16 as shown on the next page.

This showed them that the total amount of money they had left in January for their remaining family living expenses was only $126.94. They did some figuring on the amount they had been spending at the grocery store. If they followed the pattern of their past purchases, they would spend around $145 for food and some household operating supplies. If they were going to live within their means this month, it meant not spending more than $126.94 at the grocery store. Even if they reduced their grocery store expenses they would have no money left for clothing, recreation and entertainment, books and magazines, haircuts, personal supplies, or school materials in January.

Their first reaction was one of hopelessness. Then for the first time in their family life the Cunninghams decided to be realistic about money. They made similar lists for the remaining months in the year.

What we owe - January

ITEM	AMOUNT OWED
House Payment	$125.00
Gas & Electricity	32.95
Telephone	15.36
Church Pledge	15.00
Revolving Charge Account	20.56
Coat Payment - Mom	27.50
Gasoline Credit Bill	25.71
Car Payment	76.43
Range Payment	20.00
Dad's Life Insurance	22.00
Health Insurance	24.65
TOTAL FIXED COMMITMENTS -- JANUARY	$405.16

What we have left to spend in January.

Jan. Income	$532.10
Jan. Total Fixed Commitments	405.16
Remainder - January	$126.94

They used their expenditures from the previous year (as recorded by their cancelled checks) to guide them in estimating costs of utilities, car expenses, life insurance premiums, etc. They used their credit commitments for recording the repayments to be made.

After they finished, the Cunninghams had a realistic picture of their expected fixed commitments for the year. They had a realistic picture of how much "left-over" money they would have each month for their remaining family living expenses, especially food and operating expenses. They realized that they could expect to have little or no money during the year to buy the higher priced durables, such as refrigerators or washing machines, or for that matter to spend for a two-week family vacation.

But this look into the future did something else for the Cunninghams. It actually gave them a glimmer of hope. By looking at their lists, they could see that Mom's coat would be paid for in March, that the last payment on the range was due in September, and that the final car payment would be made in December. These ending dates, however, would be possible only if they were able to meet their payments. It was apparent that they would not be able to do this if they continued their pattern of past purchases.

If your family has a problem similar to that of the Cunninghams, if you always seem to be spending every cent you make without being able to "get ahead," try doing what the Cunninghams did. Make a list of your fixed commitments for the month and then for as many more months as you are able, preferably for a year. This will give you a realistic picture of what your family has left to spend after its fixed commitments have been met.

WHAT ARE YOUR FAMILY'S GOALS?

After the Cunninghams had realistically faced their family's financial situation for the current year, it was time to take a critical look at their past spending pattern. It was time to decide what they really wanted to buy with their money. Now they were ready to discuss their family's goals.

Before discussing the Cunningham's family goals, we need to examine the nature of family goals. In general terms a goal may be thought of as an object or an end that your family strives to attain. Some of your family's goals will be of a short-term nature, others will be intermediary, and still others will be long term. When you are concerned with short-term goals you are concerned with the question, "What does our family need and want this month or next?" Examples of short-term goals are listed below.

Short-Term Goals	Approximate Cost
*Make some payment on each bill	$40.00
*New tire for the automobile	$22.00
New jacket for dad	$35.00
*School books	$25.00
Have a party	$10.00
A permanent for mom	$12.50
A bicycle for the children	$35.00

* Must item.

Intermediary goals are concerned with the question, "What will be our family's needs and wants in six months or a year?" Intermediary-term goals take more planning, more thought, and, of course, more time to carry out. They are goals your family will want to implement sometime during this year or next. Examples of intermediary-term goals are listed below:

Intermediary-Term Goals	Approximate Cost
Purchase a new sofa	$ 250
*Have the children's teeth fixed	$ 175
Buy a different automobile	$1,500
Landscape the yard	$ 200
*Pay off all current fixed commitments by end of year	$ 400
Save for a "rainy day"	$ 240 a year

* Must item.

Finally, your family may have some needs or wants of a long-term nature which may be translated into long-term goals. These long-term goals may take five, ten or even twenty years to accomplish. Examples of long-term goals are listed below:

Long-Term Goals	Approximate Cost
Buy a house or pay off a house loan	$15,600
Provide for family income in the case of disability or death of the breadwinner	$ 350 a year
*Send the children to college	$ 5,200 each
Add a family room to the house	$ 4,000
Take a trip to Europe	$ 3,200

* Must item.

With a few goals and a list of fixed commitments, most families can attain some level of economic security. They can avoid the pitfalls that befall the haphazard spenders. They can avoid the financial situation the Cunninghams found themselves facing.

HOW CAN YOUR FAMILY REACH ITS GOALS?

The way your family decides to reach its goals is an individual family matter. Many goals may be attained through a good family financial management program which includes the following steps:

(1) Keep track of where your money is spent.

(2) Examine these expenditures to be certain they are enabling you to reach your goals in the order of their importance to your family. If certain expenditures do not conform to your goals, or do not enable you to meet your goals in the most efficient manner, reduce them.

(3) If you find that you have money left after going through the above process, this money may be used to reach other goals.

Your family may find that its goals or at least some of them take more money than the family can make available through careful financial management. If this is the case, there are two courses of action open to you. Your family may change its goals to correspond to the amount of money available, or may find some way to increase its income to encompass its goals.

If you decide more income is the solution, perhaps one of the children is old enough to earn money to buy his own bicycle, or school books, or his own clothing.[1] This would relieve your income of some of the strain. On the other hand, your family may decide to increase its income by a temporary job for mother or a second job for father until bills are paid or other necessary goals are reached.

Such decisions are individual matters, and family members should consider all aspects of the situation before reaching a decision. If a teen-age member of the family wants to get a job to help with family finances, will his school work suffer? Is he capable of carrying the additional responsibilities? Will it give him an opportunity to learn how to handle money?

If mother goes to work, some of the questions to be considered are: Will the amount of money she can earn cover the cost of the additional expenses incurred from her employment — transportation, clothing, lunches away from home, etc.? Are the children old enough to take care of themselves if she is not home by the time they are out of school, or must a "sitter" be hired? Are the other family members willing to help with more of the work at home to release her time, or must she add the work away from home to all of her present home responsibilities?

If a second job for father seems to be the way to bring extra money into the family, what will be the effect of his longer absence from the home on the children, on the wife, on him? What will be the effect of the strain of longer hours of work on the father and on the family? Will his health suffer?

As pointed out above, before your family reaches a decision that additional income is needed in the family and, if needed, decides who should bring the additional income into the family, all aspects of the situation, pro and con, should be considered.

THE CHANGING NATURE OF GOALS

You can expect your family's goals to change as circumstances change. Therefore, your family will need to refer to its list of goals

[1] For further discussion of children's privileges and responsibilities in money matters, see *Your Child and His Money* by Margueritte Briggs Lynch and Marilyn M. Dunsing, Circular 881, University of Illinois, College of Agriculture.

from time to time. Sometimes you will want to change your goals when your family's financial circumstances improve. For example, you may receive an inheritance, a tax refund, or another member of your family may secure a job. Other circumstances may change such as the birth or marriage of a child, the relocation of your family in another city or part of the country, etc.

Sometimes you will want to change your goals when your family's financial circumstances worsen. Sickness of the breadwinner or a tax increase would be examples. This decrease could have the effect of making it necessary to put off certain goals to a later time or, in extreme cases, make it necessary to eliminate some goals from your family's plan. This could also be the case when you find that your present income, even with careful financial management, is insufficient to meet your "essential" family goals.

THE CUNNINGHAMS AND THEIR GOALS

Now it is time to look at the Cunningham family and its goals. As indicated earlier in this circular, the Cunninghams could see that it would not be possible to have enough money to meet all their commitments on time and have enough money to pay for the variable expenses that all families have. They also saw that no money would be available to pay for the extras they wanted during the current year.

Because fixed commitments plus food and household expenses took all of the Cunningham's current income, the only short-term goal the family could manage was to make some payment on each bill every month. In addition, they decided that their intermediary-term goal for the current year would be to pay off all of their current debts as well as to refrain from taking on any new fixed commitments during the year. They realized that in order to reach these goals they would need to cut their current expenditures to the minimum.

Since a great deal of their family income seemed to be disappearing, the Cunninghams decided to keep track of their day-to-day expenditures in a family account book.[1] This activity did three things for them. (1) It made them more careful about small expenditures — helped them to think as they spent. (2) It gave them a record to use in estimating their financial needs for next year — information to use in planning next year's goals. (3) It helped them to see where cuts could be made in current expenditures.

[1] Such a book, *Illinois Family Account Book,* may be obtained from the office of the extension adviser in home economics in each county or from the College of Agriculture, University of Illinois. It is a ruled columnar book that provides space for entering receipts and expenditures by months throughout the year.

In order to reach their goal to get out of current debt, the Cunninghams discussed both the possibilities of increasing their income and of decreasing their current expenditures. They looked at their financial situation and realized that, in addition to striving to reach their goal, they must also allow enough money for food, clothing, recreation, reading materials and other variable expenses that would arise during the year.

To help relieve the strain on variable expenses, the Cunningham's son, Bill, got a paper route. In addition, he found odd jobs shoveling snow, cleaning basements and doing small repairs around the neighborhood. He had wanted to be earning his own money for the past six months, so this worked out very well. With this money he was able to buy a winter jacket and slacks, his school supplies, and pay for all his personal needs.

Cutting their current expenses for the time being was quite a challenge to the Cunninghams. First of all, they decided to cut utility expenses by limiting long-distance calls to absolute necessity, by closing windows and doors tightly to keep heating costs down, and by watching their use of electricity closely.

The responsibility of keeping the automobile expenses to a minimum became Mr. Cunningham's job. He organized a car pool so he would need to use the car only one week in every five. At first he found this inconvenient. Soon he began to know some of the men with whom he worked much better and to enjoy the daily trip. Besides he saved a great deal of transportation money as well as other automobile expenses.

Very shortly, keeping the automobile expenses to a minimum became a challenge that the other family members accepted readily. The children walked or rode their bicycles to school and to extra-curricular activities which were only five blocks from home. As a result of their doing this, Mrs. Cunningham found that the family not only saved transportation money but that she had free time which she had previously spent as a chauffeur.

This free time of Mrs. Cunningham's became an asset. You will recall that she had purchased a new coat for herself. Now instead of buying a much needed coat for her daughter, Mary, she decided to try her hand at using the material in her old coat to make a new one for Mary. Mrs. Cunningham had learned to be quite an adept seamstress from her mother and from the sewing classes she had taken in high school. The important thing was the satisfaction she got from making the garment now that she had the time to do this. Mary was so pleased with the coat that she asked her mother to use material in some of her out-of-style dresses to make her new outfits.

The family became very concerned about food expenses, since these were taking all of the money remaining after their fixed commitments were met. Mrs. Cunningham went to the county extension adviser and secured a copy of a low-cost food plan which had been set up by the United States Department of Agriculture.[1] Together they figured out a plan that would cost the Cunningham family $28.20 weekly. At first Mrs. Cunningham found that following this plan meant more time spent in food preparation. Soon Mary became interested in this plan, and mother and daughter began spending more time together in planning, grocery shopping, and cooking. They felt that it was a challenge to put tempting, low-cost meals in front of the other family members.

By the end of the year the Cunninghams had been successful in attaining the beginning levels of economic security. They had been successful in reaching their goal of paying off all of their current debts. They had achieved this by being willing to make some fairly drastic changes in their expenditures for a short period of time. When they sat down to discuss their goals for the new year, they were not faced with fixed commitments which took the bulk of their take-home pay.

Naturally, the Cunningham's first reaction when they finally saw the end of their debt was to want to buy all of the things they had gone without during the year. To buy an automatic washer and replace the refrigerator was Mrs. Cunningham's reaction. Mr. Cunningham and Bill saw just the motor boat they wanted which could be purchased for a small downpayment and easy monthly terms. Mary had her heart set on a deluxe bicycle. They had other ideas, too, for clothing, workshop equipment, toys, vacations, and even a new house.

Fortunately, the Cunninghams had learned their lesson; they didn't go on a buying spree. During the past year they had often asked themselves why they had decided to make some commitments in the first place. For example, why had they purchased the range when their old one was still in good working condition? Why had they bought that new car?

Today, they had the answer to these questions. At a County Homemakers' Extension meeting Mrs. Cunningham had first learned about the choice-making process. Afterwards she had obtained some reading material explaining the process.[2] After reading the materials, the

[1] U. S. Department of Agriculture, Home & Garden Bul. 94, "Family Food Budgeting . . . for good meals and good nutrition."

[2] Marilyn M. Dunsing, *Economic Choices of Illinois Families, 1962,* HEE-3735, University of Illinois, Urbana, pp. 2-6.

Cunninghams realized that an understanding of what takes place when a family makes an economic choice would help them to make intelligent decisions in the future on how to spend their money. They learned of the three steps in the choice-making process: deliberation, value judgment, and choice.

WHAT HAPPENS WHEN YOU MAKE A CHOICE?

Before we go on with the Cunninghams, let's pause a moment and examine these three steps in the choice-making process so that we may understand more about our own purchasing behavior. For example, to begin with let's assume that your family decides to spend its money either on buying a new automatic washer or in replacing the present refrigerator. What is involved?

Deliberation

The first step in the choice-making process is to deliberate. Deliberation is a search for a way to act when you have too many preferences. It is an experiment in finding out what alternatives are available to you before you act.

The problem is that your family can afford to buy either the automatic washer or the refrigerator, but not both. There are, also, at least two other alternatives available to your family: (1) You can save the money and purchase neither the washer nor the refrigerator. (2) You can purchase something else with the money. Therefore, your family must decide which of the alternatives it wants most. Which alternative will give your family the most satisfaction?

If you decide you will purchase either the automatic washer or the refrigerator, the next step is to try to find out which is the better purchase for your family. You can read about the equipment. You can talk to your relatives, friends, home adviser, and salesmen to get information. In other words, you try to find all the information available which will help you make your choice. You can make a comparison similar to the one below, including advantages and disadvantages of your own:

	Automatic washer to replace non-automatic	*Larger refrigerator to replace smaller one*
Description	12 lb. capacity. Available in electricity or gas.	100 lb. freezing unit. Automatic defrost on refrigerator part.
Advantages	Can put in a few clothes; not necessary to do all washing at one time. No separate rinse tub necessary. No wringing or handling of heavy water-soaked clothes. Operator free to do other things while machine goes through cycle.	Fewer shopping trips. Holds more food in the refrigerator part. Holds more in freezer. Adjustable shelves.

Disadvantages	Will take away some present storage space. Takes more water than a non-automatic.	Will mean trading in present good performing refrigerator for small trade-in allowance.
Price	$250	$250

After you have made a comparison, based on advantages and disadvantages as well as price, you are ready for the second step in the choice-making process. You are ready to make a value judgment.

Value judgment

When you make a value judgment, you put your preferences in order — you decide that one alternative or preference is better than a competing alternative or preference.

Going back to the situation of the automatic washer and refrigerator, how would you solve this? You decide, for example, that your family will get more satisfaction from the automatic washer and the continued use of the old refrigerator than it would from a new refrigerator. This would be your value judgment. This would be preferring one thing above the other.

Value judgments are the basis for our choices. They are the internal part of choice — the part of the choice-making process that you don't see but which influences the final choice you make.

Choice

The third and final step in the choice-making process — the external part — is the action of making the choice, of buying the automatic washer. It is a conscious expression of preferences of alternatives — it is selecting one thing when you have other things available which you would also very much like to have. It is a type of human behavior that assumes purposive action, consciousness, and free will on the part of the person or the family. Choice is a fundamental part of family life which has to do with the tastes and values of the family — of what is important to the family.

HOW DOES YOUR FAMILY USE THE CHOICE-MAKING PROCESS?

You don't go through the choice-making process every time you make a purchase. Many routine items are purchased on the basis of value judgments made in the past.

How do you acquire value judgments? They are acquired from the persons or groups with whom you associate such as your immediate family, your teachers, your peer group, or your church and community groups. For example, your family has bought one brand of toothpaste for many years. Sometime in the past — perhaps from your parents or from a hygiene class in school — you acquired a value judgment that it was good to brush your teeth. Your parents used a certain brand of toothpaste and so you accepted their value judgment as your own. After you were married, your husband decided that he preferred your brand of toothpaste to his. He made a value judgment. Then you may go on for years buying one brand of toothpaste without needing to give a thought to its purchase. A value judgment made in the past enables you to act on an habitual basis. There is no need to make another value judgment until something happens to interrupt your continued purchase of the product.

An example of this would be if you were given a free sample of another brand of toothpaste and find your family likes it just as well as the brand they had been using for years. The price is lower for the same size tube. At this point, you may make the value judgment that the less expensive toothpaste is the one your family will use in the future. It will help save money for your family.

Let's take another situation. Suppose something rather serious happens, for example, your family has a cut in income. Whether due to sickness of the breadwinner, seasonal layoff, or a poor crop year, your family will now need to make a value judgment. Should you cut down on expenditures, use your savings, borrow money, etc.? Your family will need to choose the action it would prefer to take from among the alternatives available. This is how the choice-making process works.

WHAT ARE SOME EXPLANATIONS OF THE CHOICE-MAKING PROCESS?

Let's get back to the Cunninghams. Once they were aware of what happens when they make economic choices, they asked another question, "Why do we make the choices we do?" They wanted to know some of the reasons for the choice-making process.

Economists use the marginal utility principle to explain economic choices. According to this principle, families will continue to purchase a given article, such as food, as long as the satisfaction they get from it is greater than the satisfaction they could derive from some other use of their money. Whenever they can derive greater satisfaction from the purchase of some other article, they will shift their spending to it.

Marginal utility principle

The marginal utility principle assumes that people will act rationally — that they will choose appropriate means to accomplish a given end.

This principle explains why families might spend 25 percent of their income for food rather than 20 percent, or 8 percent of their income for clothing rather than 12 percent. They behave in this manner in order to maximize their satisfaction.

Standard of living

Income and expenditure studies indicate that family living expenditures increase as income increases. Why do families spend more money, for example, on clothing or recreation when their income increases? James Duesenberry,[1] a well-known economist, would explain this type of economic behavior in terms of the standard of living. By standard of living is meant the goods and services that we feel it is necessary or essential to have. According to Duesenberry, a rising standard of living is one of the major goals of our society. If this is the case, it means that as soon as a family accomplishes one of its goals, such as repainting rooms in the house, then another goal takes its place, such as buying new furniture for the living room.

Duesenberry feels that families think of their current expenditure or consumption pattern as a temporary adjustment to circumstances; they expect to take the first available opportunity to change the pattern to improve their level of living. In view of their attitude it is easy to understand why a family's spending will increase when the family moves into a higher income group.

Duesenberry's rising standard of living explanation struck a note of recognition in the Cunningham family. Mr. Cunningham recalled that when he had come home with a raise in pay two years before, he'd said that now they could afford to trade in their old car on a brand new model! The rest of the family had agreed with him. Duesenberry's explanation of a striving for a higher standard of living was certainly borne out by the Cunningham's new car purchase.

Demonstration effect

But how do we explain the behavior of families when they increase their expenditures even though their income remains the same? Duesenberry's explanation, which he calls the "demonstration effect," starts with the premise that families believe the consumption of high-quality goods is desirable and important. If this is the case, it follows that they can be made dissatisfied with the goods they habitually use by a demonstration of the "superiority" of other goods.

He feels that families are not apt to become dissatisfied with their present goods just by knowing of the existence of "superior" goods.

[1] James Duesenberry, *Income, Savings and the Theory of Consumer Behavior*, 1949, Chapter 3.

If, however, they come into frequent contact with "superior" goods they are apt to become dissatisfied with their present goods. In other words, the frequency and strength of our desire to increase expenditures depends upon the frequency of contact with goods we believe superior to those we habitually use.

Knowledge about the "demonstration effect" gave the Cunninghams insight into two purchases they had made — the range and the new coat for Mrs. Cunningham. Thus after morning coffee hours in neighborhood kitchens, Mrs. Cunningham began to talk about how nice it would be to have a range with a rotisserie — Mrs. Miller and Mrs. Bye had each purchased one during the past few months. When the Cunninghams went to dinner at the Millers and found how delicious was the taste of a roast which had been cooked on a rotisserie, the family was sold on that type of range. So they had traded in their range for a deluxe model and began making the payments.

Even though Mrs. Cunningham recognized that her old untrimmed winter coat was still serviceable, she became dissatisfied with it for dress wear after seeing new fur trimmed coats on four of her friends. "Nothing would do" until she purchased one for herself so that she could feel that she was in style once again.

But, as pointed out earlier, the Cunninghams had learned their lesson. No longer would they buy something just because others had it. From now on they would deliberate, examine their value judgments, and make a choice before committing themselves to purchases.

THE CUNNINGHAM'S ECONOMIC SECURITY — ONE YEAR OLD

A year has passed since the Cunninghams embarked on their program of economic security. Have they made real progress during this period? To help them answer this question, the Cunninghams made a list of the month's money commitments. (See next page.) Then they took the amount of income they had available for January (after payroll deductions) and subtracted their total fixed commitments for January.

The Cunninghams felt good. This month's remainder of $283.66 was quite a pleasant change from last January's remainder of $126.94. The Cunninghams decided they would increase their food expenses to $150 for the month in order to buy some extra treats. This meant that they would still have $133.66 each month for other family living expenditures such as clothing, recreation, reading materials, etc. They

What we owe—January

ITEM	AMOUNT OWED
House Payment	$125.00
Gas & Electricity	29.82
Telephone	5.75
Church Pledge	15.00
30-day Charge Account	15.25
Gasoline Credit Bill	7.90
Dad's Life Insurance	22.00
Health Insurance	11.47
Washer Payment	16.25
TOTAL FIXED COMMITMENTS--JANUARY	$248.44

What we have left to spend in January

Jan. Income	$532.10
Jan. Total Fixed Commitments	248.44
Remainder—January	$283.66

also decided to set aside $20 each month to be used on a short vacation in July.

The Cunninghams agreed that there were times during the past twelve months when they had become discouraged and were ready to give up their economic security program but fortunately neither Mr. nor Mrs. Cunningham felt this way at the same time. With the children's encouragement and enthusiasm to spur them on they had stuck with their program, and it had been successful.

Soon Mr. Cunningham would be receiving an increase in salary and then there would be additional money to use for family living expenses or to save for future use. This year the question of continuing their economic security program didn't arise. They would, of course, modify their program from time to time to fit in with their changing goals and with their financial resources, but they would always want some program to keep them working for economic security.

HOW CAN YOUR FAMILY LIVE WITHIN YOUR INCOME?

Like the Cunninghams, your family too can embark on a program of living within your income — leading to a higher level of economic security. You, too, can list your monthly income after deductions and subtract your fixed commitments each month to arrive at the remainder. Then determine how you will spend this remainder for the variable household expenses. To do this you will need to decide on your family's goals — be they short, intermediary, or long term. This is one of the most important steps in the process.

Your next, and perhaps hardest job, is to stick to your program once you have adopted it. It should, of course, be modified from time to time as your circumstances change. If you do these things, your family is launched on a sound program of living within your income — of economic security. In addition, this program should bring a feeling of closeness to all members of your family as you work together toward common goals.

YOUR FAMILY'S GOALS

Short-term	Approximate Cost

Intermediary-term	

Long-term	

WHAT YOUR FAMILY OWES — THIS MONTH

Item	Amount owed
Total Fixed Commitments	

WHAT YOUR FAMILY HAS LEFT TO SPEND — THIS MONTH

Income	
Total Fixed Commitments — This Month	
Remainder — This Month	