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UNITED STATES DEPARTMENT OF AGRICULTURE
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X SPENDING PATTERNS OVER THE LIFE CYCLE +

Talk by Mary Jane Ellis
 Consumer and Food Economics Research Division
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Much consumer behavior grows out of family situations that occur in a familiar cycle. Couples marry, establish homes of their own, bear children and raise them to maturity, retire from active employment, and eventually die. During this cycle the family changes in size, composition, income, and expenditures for goods and services.

Knowledge of the differences in the expenditures for goods and services over the life cycle aids family economists in helping families to understand their present economic position, anticipate future changes, and make long-range financial plans. For the market analyst and economists in general, knowledge of these differences coupled with information on the age distribution of the population aids in estimating future demand for goods and services.

The most recent and comprehensive information on differences in the expenditures of a cross-section of U.S. families comes from the Survey of Consumer Expenditures in 1961, a joint survey by the U.S. Department of Agriculture and the Bureau of Labor Statistics. 1/ Data on the expenditures of seven age classes of heads of families in this survey typify spending during the family life cycle.

The age of the head of the family is a good indication of stage in the life cycle, because interaction of biological, economic, legal, religious, and social factors propels most Americans along a course in which common events occur within fairly narrow age spans. The dominant pattern in the 1960's is early marriage (bride and groom in their twenties), a relatively short child-bearing period (last child born before parents reach 30), last child marrying and leaving home by time parents are 50, and death of one partner by the middle or late 60's. 2/

1/ See listing of reports of Survey of Consumer Expenditures at the end.

2/ Glick, Paul C., David M. Heer, and John C. Beresford, "Family Formation and Family Composition: Trends and Prospects," revision of paper presented at the annual meeting of the American Association for the Advancement of Science, Chicago, December 29, 1959. Mimeographed.

Of course, many families do not conform to the dominant pattern. Bachelors (male and female) are found in every age class and are more frequent among the youngest. 3/ Widowhood and divorce among the young represent departures from the usual pattern, but in the closing stages where one partner typically outlives the other for some time, the one-person family fits the life-cycle pattern. Even among husband-wife families there are some who have married (or remarried) earlier or later than usual, who have had no children, who spaced their children differently than usual, or whose children died or left home prematurely, or never left home. The distribution of types of families in the various age classes is not yet available for the Survey of Consumer Expenditures. In the meantime this distribution of heads of household by marital status is substituted:

Marital status	Age of household head (years)						
	Under 25	25-34	35-44	45-54	55-64	65-74	75 and over
All household heads	100	100	100	100	100	100	100
Married, spouse present	77	85	84	78	68	57	41
Married, spouse absent.	6	6	5	4	3	2	1
Widowed	1/	1	3	8	19	33	50
Divorced	2	3	4	5	4	2	1
Single	14	5	4	5	6	6	6

1/ 0.5 percent or less.

Source: Bureau of the Census, Current Population Reports, P-20, No. 122, March 1962.

Spending Patterns

Families buy different sized bundles of goods and services at the various stages of the life cycle. In 1961, the bundle bought by the youngest families contained \$4,225 worth of goods and services. The size of the bundle increased until it reached a maximum of \$6,198 among families whose

3/ A family as defined in the Survey of Consumer Expenditures consists of (1) a group of people, usually living together, who pool their income and draw from a common fund for their major living expenses, or (2) a person who is financially independent whether living alone or in a household with others. Never-married persons living with their parents are always considered to be in the same family as their parents.

heads were between 35 and 44. Thereafter, the size decreased in each stage until at the end of the cycle it was scarcely more than half the size at the beginning. Each of the separate categories of goods and services in the bundle generally followed this pattern of increasing in size early in the cycle and declining in the later stages. (See table 1.)

The rate of increase and decline varied with the category and the stage of the life cycle thus giving rise to distinctive spending patterns. The changes in spending patterns are illustrated in table 2 as percentage distributions of expenditures for total current consumption.

At the beginning of the life cycle

The beginners in the family life cycle are represented by families whose heads were under 25 in 1961. They were young families in that the average age of the head was 22, and two-thirds of them had a child, but few had a person as old as 65. Ninety percent of them had rented homes all or part of the year. Over three-fourths of them owned a car. (See table 3.)

There was an average of less than one full-time earner in these families due not only to unemployment but also to a high degree of mobility and the practice of continuing college education after marriage. The young family's income of \$4,140 was less than the average for all families in the study. Even though disbursements for personal insurance, gifts and contributions, and expenditures for current consumption were all below average, this was the only stage in the cycle in 1961 in which the average family had increased its debts and depleted its assets to the point of ending the year in a deficit position.

Beginners' expenditures for current consumption were not only lower but followed a somewhat different pattern than that for the average family. On transportation they spent an average of \$820, 19 percent of their total expenditures, and on furnishings and equipment an average of \$288, 7 percent of their total expenditures. These expenditures exceeded the average, both relatively and absolutely. Spending for transportation and housefurnishings began at relatively higher levels than in other major categories since families build up their inventories early in the cycle. Spending declined more severely at the end of the cycle in these two categories than among categories of nondurable goods.

Food was a relatively less important part of the budget in the beginning than at any of the later stages of the cycle. Groceries--the major part of food expenditures--cost only 16 percent of total expenditures at this stage compared to 20 percent for the average. Eating out--the minor part of food expenditures--took 6 percent of total expenditures rather than the average 5 percent. Grocery expenditures were down in this stage because families were small and generally had an infant or young child, not an adult, as a third member. The relatively high percentage of single people in this stage was probably responsible for a greater part of the food dollar being spent on eating out.

The beginner families spent relatively more than average for shelter (15 vs. 13 percent), relatively less for fuel and other utilities (3 vs. 5 percent). This pattern is usual whenever a high proportion of families rent. Their spending for shelter and utilities together was of average proportion (18 percent).

Housing (including shelter, fuel and other utilities, household operation, and furnishings and equipment), food, transportation, clothing, and medical care were the most important areas of expenditures in the earliest stage of the family life cycle (and throughout the succeeding stages as well). These five categories took 87 percent of total expenditures at this stage.

During the growth stages of the family life cycle

The beginning stage of the cycle was followed by three stages marked by a high level of economic activity. The first of these stages consisted of families headed by persons between 25 and 34 years old. Their families generally numbered one more child than the beginners' and average family size was four persons. Elderly people were almost as rare in these families as among the younger families.

Expenditures for goods and services were about 30 percent higher than among the younger families. Insurance, and gifts and contributions were around 70 percent higher. Family income increased around 40 percent over the earlier period.

These families made net savings that averaged about \$200 in 1961. Some of the savings were no doubt payments on mortgages since homeownership rose from 9 percent at the beginning stage to 41 percent at this stage. Ownership of cars reached a peak of 87 percent.

Food expenditures were relatively more important and transportation expenditures relatively less important than among the beginners. The increase in food was for that prepared at home, which increased from 16 percent at the earlier stage to 19 percent of total expenditures in this stage. There was a relative decline in spending for meals away from home. Despite an increase in ownership of cars, spending for transportation increased by only \$58 over the earlier stage. It was a small increase compared to those taking place in other categories. Therefore transportation subsided in importance from 19 to 16 percent of total expenditures.

Spending for shelter and utilities took a slightly greater share of expenditures in the second stage than in the first, 18 compared to 19 percent. In line with the increase in homeownership, spending for utilities mounted in importance. These expenditures increase not only because they are paid directly by homeowners, but because the move to an owned place is commonly made to get more room for a growing family and more room means higher expenses for fuel, electricity, and other utilities.

Purchases of furnishings and equipment were relatively less important than in the earlier stage, dropping from 7 percent to 6 percent of total expenditures. However, this was the stage at which the level of purchases reached its highest point in the cycle. The expansion in family size and the shift from rented to owned housing contributed to the high level.

All the components of housing, plus food, transportation, clothing, and medical care accounted for 87 percent of all goods and services--the same percentage as in the first stage.

In many respects the zenith of the family life cycle occurred at the third stage when heads were between 35 and 44 years old. Family size was greatest and income after taxes and current expenditures were larger than at any other stage. The homeownership rate rose to 63 percent. Ownership of cars continued at the high rate of the second stage.

This was the first of two stages in which families placed increased emphasis on clothing expenditures. The relatively large size of the family and an increasing number of children in the fast-growing stage of adolescence would account for the rise to 12 percent from the earlier level of 10 percent of total expenditures. Large families and growing children also account for a continuing though smaller increase in emphasis on food (25 percent of the budget at this stage versus 24 percent in the second stage).

Housing decreased in importance in the third stage even though expenditures were at their highest point in the cycle. Housing expenditures increased by only \$44 on the average over the previous stage. This was a much smaller increase than those in food, clothing, and other areas of expenditures. Purchases of furnishings and equipment actually declined in this stage--the earliest decline in any major category during the life cycle. Housing took 28 percent of total expenditures at this stage and together with food, transportation, clothing, and medical care added to 86 percent of the total.

In the fourth stage of the family cycle when family heads were between 45 and 54 years old, economic activity was almost on a par with that of the previous stage. Income was about the same, but disbursements for personal insurance and gifts and contributions were higher, and savings were greater than in the third stage. The homeownership rate reached a high of 67 percent. Ownership of cars declined slightly from the previous high rate. Families were smaller, because this is the stage when older children leave the parental home, and because the families in the fourth stage are an earlier generation than those of the first three stages and did not participate in the post-war baby boom.

Expenditures for goods and services were about 4 percent less than in the third stage. As in the previous stage, the families of heads in their late forties and early fifties spent a larger share of their total expenditures for clothing and a smaller share for housing than did the average

U.S. family. There was an increased emphasis on education. This was the only stage in which education took as high as 2 percent of total expenditures. It is very likely that many children were being put through college at this stage.

Housing, food, transportation, clothing, and medical care together required 85 percent of total expenditures--somewhat less than in the earlier growth stages.

During the contracting stages of the life cycle

Families whose heads were between 55 and 64 years old were past the peak of both income and expenditures. Smaller families, composed of fewer children and more elderly people (65 and older) account for a decline in economic activity of this group of families. Insurance premiums declined sharply from their high point in the previous stage but gifts and contributions and savings continued at almost the same level.

It is worth noting that reductions in family expenditures did not keep pace with the reduction in family size during this stage. Average expenditures per person were higher in these families than at any other stage.

During this fifth stage, clothing and transportation expenditures dropped in relative importance from 12 to 10 and 16 to 15 percent respectively. There was a slight increase in the relative importance of food and housing. Food rose again to 25 and housing to 28 percent of the total. An important change took place in spending for medical care. It increased to 8 percent of total expenditures in contrast to the share of 6 percent held at all earlier stages. Per capita medical care expenditures rose sharply to a level 40 percent higher than in the previous stage.

Housing, food, transportation, clothing, and medical care together took 86 percent of total expenditures in the fifth stage.

Among families whose heads were between 65 and 74 years old and in the sixth stage of the family life cycle there were more signs of a slowdown in the family economy. Since it is common, even mandatory in some occupations, for the worker to retire at age 65, the average number of full-time earners dropped to well below one per family (to 0.3) for the first time in the cycle. Family size was reduced to an average of 1.9 persons. Income and expenditures continued to decline from the levels of the previous stage and both were well below average. However, most families held their owned homes and there was even a slight upswing in homeownership--perhaps because of buying retirement cottages. Ownership of autos declined considerably.

Spending patterns in this and the final stage differed greatly from those of the preceding and all earlier stages. Reduced income makes the necessities of life relatively more important in the total budget and advancing age creates some re-ranking of necessary goods and services.

Spending for medical care took 10 percent of total expenditures for goods and services in the sixth stage. Shelter and utilities in the housing group rose to 22 percent of total expenditures from the previous level of 18 percent. Transportation other than by auto was a much more important item in this stage than at any other stage, but the cutback in ownership and operation of cars reduced the importance of transportation to 13 percent of the whole. There was proportionately less spent on eating out and proportionately more on groceries than in the previous stage. A sizeable reduction was also made in the proportion spent for clothing which declined from 10 percent in the previous stage to 7 percent in this stage.

In the sixth stage families spent 88 percent of their total expenditures for housing, food, transportation, clothing, and medical care. Medical care replaced clothing as the fourth most important item in the budget.

In the final stage of the family life cycle when heads of families were 75 and older, even fewer of the families were headed by both husband and wife. Some families disposed of their homes, but the homeownership rate did not drop below 60 percent. Ownership of cars dropped to 32 percent, the lowest rate during the cycle. Income and expenditures were at their lowest levels in the cycle.

The combination of housing, food, transportation, clothing, and medical care amounted to 90 percent of total expenditures. Families in the final stage of the cycle had less to spend in other ways than families at any other stage.

Changes between 1950 and 1960

The changes that took place in the spending of urban families between 1950 and 1960 were not confined to any one age class. ^{4/} Each age class in 1960 had a spending pattern significantly different from its counterpart in 1950. In our analysis the effects of price shifts during the decade have been eliminated as far as possible. Comparisons were made after converting the 1950 data to 1960 dollars. (See table 4.)

Changes from 1950 to 1960 in some categories took place among families of all age classes. All age classes spent relatively less on food in 1960 than in 1950 despite an increase in family size in the first four age classes. A rise in real income took place between 1950 and 1960 and consumers, responding according to Engel's law, reduced their relative expenditures for food.

All age classes spent relatively more on housing in 1960 than in 1950. A rise in homeownership in the second through the fifth stages during the decade is partially responsible.

^{4/} Comparable expenditure data for rural farm and rural nonfarm families are not available for 1950 and 1960.

Changes in other categories were concentrated in particular age classes. The youngest families in 1950 spent relatively more on clothing than their counterparts in 1960. Families in all later stages spent the same proportions in both years.

Transportation expenditures were relatively higher in 1960 than in 1950 early in the cycle but later in the cycle they were relatively lower. The rise in car ownership that contributed to the general rise in spending for transportation actually took place primarily among young families.

Medical care was of relatively greater importance in 1960 than in 1950 among the youngest and the two oldest family groups. During the middle stages medical care assumed the same importance in 1960 as earlier.

Differences in the volume of expenditures between successive age classes were generally greater in 1960 than 10 years earlier. There was one exception--the level of the most elderly families did not decline as sharply from that in the previous stage as it had in 1950.

Summary and outlook

A motion picture of the life cycle of U.S. families would show the family unit vigorously expanding in size and economic activity while it is young. Maximum size and the highest level of expenditures for goods and services are achieved when heads of families are in their late thirties and early forties. Thereafter, a decline sets in as the family contracts in size and slows down its economic activity. Expenditures in the last stage of the cycle are only slightly more than half the level in the first stage.

Spending patterns are fairly uniform during the four middle stages of the cycle. During the first and last two stages the patterns differ considerably from those in the middle. A comparison of the spending of urban families in 1950 and 1960 suggests that gaps between the level of families at different stages in the life cycle may be widening.

If these gaps continue to widen, spending patterns of the different age classes might undergo considerable change. However, the forces that tend to obliterate these distinctions seem very strong. The mass communication of fashion, of ideas, and of innovations; the mass distribution of goods and services; the general improvement in education; the growth in urbanization--all tend to even out class differences in expenditures. Improvement in income, particularly in those age classes that have below-average income, would also even out differences in expenditures.

Whether spending patterns in the family life cycle will change also depends on possible changes in the life cycle itself, e.g., the usual age at marriage, at entry into the labor force, and at retirement. An increase in individual life spans, particularly among men, would also affect the total span of family life and the length of widowhood. A widespread change in the number of children per family or the spacing of children could affect the length of the growth periods in the cycle and the beginning of decline in activity.

Publications from the Survey of Consumer Expenditures, 1960-1961

The first series of Summaries of Expenditures, Income and Changes in Savings from the Survey of Consumer Expenditures is listed below. Each report, together with its supplement, contains 10 tables, each presenting data for the families classified by a single characteristic such as income, family size, age of family head, etc. The "All U.S." and "Rural Nonfarm" reports are joint reports obtainable from either the USDA or BLS; the "Rural Farm" reports may be ordered only from USDA; the "Urban" reports only from BLS.

USDA	BLS
Consumer Expenditure	
Survey Report No.:	Report No.:

All U.S., 1961

United States	15 & Supp. 1	237-93 & Supp. 1
Northeast	11 & Supp. 1	237-89 & Supp. 1
North Central	12 & Supp. 1	237-90 & Supp. 1
South	13 & Supp. 1	237-91 & Supp. 1
West	14 & Supp. 1	237-92 & Supp. 1

Rural Farm, 1961

United States	5
Northeast	1
North Central	2
South	3
West	4

Rural Nonfarm, 1961

United States	10 & Supp. 1	237-88 & Supp. 1
Northeast	6 & Supp. 1	237-84 & Supp. 1
North Central	7 & Supp. 1	237-85 & Supp. 1
South	8 & Supp. 1	237-86 & Supp. 1
West	9 & Supp. 1	237-87 & Supp. 1

Urban, 1960-61

United States		237-38 & Supp. 1
Northeast		237-34 & Supp. 1
North Central		237-35 & Supp. 1
South		237-36 & Supp. 1
West		237-37 & Supp. 1

Table 1.--EXPENDITURES FOR CURRENT CONSUMPTION BY AGE OF FAMILY HEAD:
All families and single consumers, United States, 1961

Category of consumption	All families	Age of family head (in years)						
		Under 25	25-34	35-44	45-54	55-64	65-74	75 and over
Expenditure for current consumption	\$5,038	\$4,225	\$5,476	\$6,198	\$5,974	\$4,611	\$3,302	\$2,257
Food, total	1,231	918	1,290	1,565	1,436	1,131	823	615
Food prepared at home	987	675	1,037	1,246	1,143	896	697	533
Food away from home	244	243	253	319	293	234	126	82
Tobacco	89	87	103	113	114	81	45	25
Alcoholic beverages ...	75	50	83	101	92	69	45	17
Housing, total	1,459	1,283	1,687	1,731	1,594	1,308	1,074	782
Shelter	659	639	772	778	705	580	483	369
Fuel, light, etc. ...	252	132	247	292	286	243	229	182
Household operation	287	224	334	337	315	266	212	150
Furnishings and equipment	261	288	334	324	287	219	149	81
Clothing	522	406	543	715	690	446	245	135
Personal care	146	122	152	185	179	137	88	58
Medical care	345	246	331	365	373	364	326	292
Recreation	201	192	249	271	235	168	89	36
Reading	45	26	45	53	51	43	35	25
Education	53	37	36	72	112	35	10	2
Transportation	761	820	878	906	932	700	439	211
Automobile	685	766	814	827	847	620	339	183
Other travel and transportation	76	53	64	79	85	80	100	28
Other expenditures	111	38	79	120	168	130	84	58

NOTE: Components may not add to totals due to rounding.

Source: Preliminary data, Consumer and Food Economics Research Division, ARS, USDA.

Table 2.--SPENDING PATTERNS BY AGE OF FAMILY HEAD: All families and single consumers, United States, 1961

Category of consumption	All	Age of family head (in years)									
		Under 25		25-34		35-44		45-54	55-64	65-74	75 and over
		Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	
Expenditure for current consumption	100	100	100	100	100	100	100	100	100	100	
Food, total	24	22	24	25	24	25	25	25	27	27	
Food prepared at home	20	16	19	20	19	19	19	21	21	24	
Food away from home	5	6	5	5	5	5	5	4	4	4	
Tobacco	2	2	2	2	2	2	2	1	1		
Alcoholic beverages ...	1	1	2	2	2	1	1	1	1		
Housing, total	29	30	31	28	27	28	33	35	35		
Shelter	13	15	14	13	12	13	15	16	16		
Fuel, light, etc. ...	5	3	5	5	5	5	7	8	8		
Household operation	6	5	6	5	5	6	6	6	7		
Furnishings and equipment	5	7	6	5	5	5	5	5	5		
Clothing, etc.	10	10	10	12	12	10	7	6	6		
Personal care	3	3	3	3	3	3	3	3	3		
Medical care	7	6	6	6	6	8	10	13	13		
Recreation	4	5	5	4	4	4	3	2	2		
Reading	1	1	1	1	1	1	1	1	1		
Education	1	1	1	1	2	1	1/	1/	1/		
Transportation	15	19	16	15	16	15	13	9	9		
Automobile	14	18	15	13	14	13	10	8	8		
Other travel and transportation	2	1	1	1	1	2	3	1	1		
Other expenditures	2	1	1	2	3	3	3	3	3		

NOTE: Percentages may not add to 100 due to rounding.

1/ 0.5 percent or less.

Source: Preliminary data, Consumer and Food Economics Research Division, ARS, USDA.

Table 3.--FAMILY CHARACTERISTICS BY AGE OF FAMILY HEAD: All families and single consumers, United States, 1961

Family characteristics	All	Age of family head (in years)						
		Under 25	25-34	35-44	45-54	55-64	65-74	75 and over
Average:								
Family size	3.2	2.8	4.0	4.3	3.5	2.4	1.9	1.7
Number of full-time earners8	.8	.9	1.0	1.1	.9	.3	.2
Age of head	49	22	30	39	49	59	69	79
Education of head ...	10	12	12	11	10	9	9	8
Number of children (under 18)	1.3	1.1	2.1	2.2	1.2	.4	.1	1/
Percent:								
Homeowners, all year	58	9	41	63	67	64	66	61
Auto owners, end of year	76	77	87	87	83	75	56	32
Nonwhite	11	13	11	12	11	10	9	8
With children (under 18)	51	68	83	81	56	19	6	3
With persons 65 years and older	25	2/	1	5	9	10	100	100
Average (dollars):								
Money income before taxes	6,293	4,563	6,413	7,667	7,766	6,218	4,105	2,715
Taxes	698	423	618	820	983	853	337	200
Money income after taxes	5,595	4,140	5,795	6,847	6,783	5,365	3,768	2,515
Personal insurance ..	298	187	307	397	420	273	127	54
Gifts and contri- butions	277	133	228	290	334	325	281	170
Savings 3/	229	-117	187	297	308	305	146	97
Expenditures for cur- rent consumption ..	5,038	4,225	5,476	6,198	5,974	4,611	3,302	2,257
Percent:								
Urban	72.6	79.3	76.3	72.7	71.7	71.2	69.3	69.7
Rural nonfarm	21.1	17.7	20.0	21.3	19.8	20.2	24.2	25.5
Rural farm	6.4	3.0	3.7	6.0	8.5	8.6	6.5	4.8
Estimated number of families in universe (000's)	55,305	2,426	9,996	12,251	10,692	8,965	7,446	3,533
Percent of all families	100	4	18	22	19	16	13	6

NOTE: Components may not add to totals due to rounding.

1/ 0.05 or less. 2/ 0.5 percent or less. 3/ Net change in assets and liabilities.

Source: Preliminary data, Consumer and Food Economics Research Division, ARS, USDA.

Table 4.--Spending Patterns of Urban Families by Age of Family Head, 1960 and 1950

Category of consumption	Age of family head (in years)						
	Under 25 (Pct.)	25-34 (Pct.)	35-44 (Pct.)	45-54 (Pct.)	55-64 (Pct.)	65-74 (Pct.)	75 and over (Pct.)
1960							
Total	100	100	100	100	100	100	100
Food	21	23	25	24	25	27	27
Tobacco	2	2	2	2	2	2	1
Alcoholic beverages	2	2	2	2	2	2	1
Housing	31	31	29	27	29	32	36
Clothing	9	10	11	11	10	8	7
Personal care	3	3	3	3	3	3	3
Medical care	6	6	6	6	7	9	11
Recreation	4	4	4	4	3	3	2
Reading	1	1	1	1	1	1	1
Education	1	1	1	2	1	1	1/
Transportation	19	16	15	15	14	11	8
Miscellaneous	1	1	2	2	3	2	3
1950 2/							
Total	100	100	100	100	100	100	100
Food	26	28	29	28	29	30	31
Tobacco	2	2	2	2	2	2	1
Alcoholic beverages	1	2	2	1	2	1	1
Housing	28	28	28	26	27	30	35
Clothing	11	10	11	11	10	8	7
Personal care	2	2	2	2	2	2	2
Medical care	5	6	6	6	7	8	8
Recreation	5	5	5	4	4	3	2
Reading	1	1	1	1	1	1	1
Education	1	1/	1	1	1	1/	1/
Transportation	18	16	13	14	14	12	10
Miscellaneous	1	1	1	2	2	2	2

NOTE: Percentages may not add to 100 due to rounding.

1/ 0.5 percent or less.

2/ Percentage distribution based on 1950 expenditures converted to 1960 dollars by using deflators based on the Consumer Price Index.

Source: Bureau of Labor Statistics, Report No. 237-38, April, 1964;

Goldstein, Sidney, Consumption Patterns of the Aged, Study of Consumer Expenditures, Incomes and Savings, Univ. of Penn., 1960.





