



## Comparing characteristics and expenditures of consumer units in selected income ranges

Beginning with the publication of the Consumer Expenditure Survey (CE) 2003 data, several new, higher income ranges were shown for the first time. As incomes have continued to rise over the years, the larger number of higher income consumer units<sup>1</sup> occurring in the sample allowed for the publication of these new classes. Using 2003 data, this article compares characteristics and expenditures of those in the highest income range, \$150,000 and over, with expenditures and characteristics of those in the range of less than \$70,000. A majority (63.9 percent) of consumer units in the CE had an average annual income of less than \$70,000, whereas a small number of consumer units (3.5 percent) reported incomes of \$150,000 and over. As one might expect, differences in demographics and in the way people spend their money abound between

these two groups, although there are some similarities as well.

**Demographics.** The less-than-\$70,000 group had fewer persons per consumer unit than did the \$150,000-and-over group (2.3 versus 3.1) and fewer children under 18 years of age (0.6 versus 0.9). The \$150,000-and-over group had more earners (1.9 versus 1.1) and a larger number of vehicles (2.8 versus 1.7) per consumer unit than did the less-than-\$70,000 group. The \$150,000-and-over group had a 94-percent rate of homeownership, while the less-than-\$70,000 group had a 59-percent rate. Among the less-than-\$70,000 group, the highest education level of the reference person<sup>2</sup> varied: 8 percent had an elementary school education, 42 percent a high school education, and 50 percent a college education. This pattern differed from that of the \$150,000-and-over group,

among which 91 percent of the reference persons had a college education and just 8 percent had a high school education.

**Income and expenditures.** Consumer units in the less-than-\$70,000 group had an average annual income before taxes of \$29,793, while those consumer units in the \$150,000-and-over group had an average annual income before taxes of \$223,634—7½ times that of the lower income group. Average annual expenditures for the less-than-\$70,000 group were \$31,737, while expenditures for the \$150,000-and-over group were \$118,674—3½ times that of the lower income group. In dollar amounts, the \$150,000-and-over group spent more for every item examined than did the less-than-\$70,000 group.

It is interesting to compare the expenditures of these two groups on necessities, such as food, housing,

clothing, transportation, and healthcare. The less-than-\$70,000 group allocates a share of 77.9 percent of total expenditures to these items, while the \$150,000-and-over group allocates a share of 63.0 percent to these items. The less-than-\$70,000 group had total food expenditures of \$4,619, which constituted a share of 14.6 percent of total expenditures, and food-at-home expenditures of \$2,862, which represented a share of 9.0 percent of total expenditures. Even though the \$150,000-and-over group had larger dollar expenditures for both categories—\$11,435 on total food and \$5,023 on food at home—expenditure shares for the \$150,000-and-over group were less, with a share of 9.6 percent for total food and 4.2 percent for food at home. Expenditures for food away

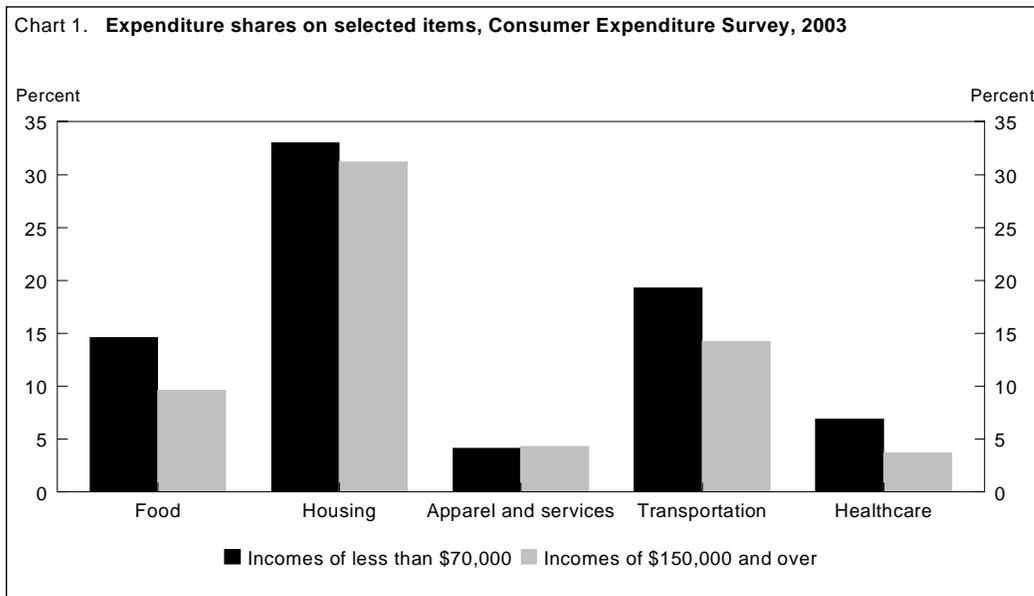
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### Footnotes

<sup>1</sup> A consumer unit is defined as members of a household related by blood, marriage, adoption, or some other legal arrangement; a single person living alone or sharing a household with others, but who is financially independent; or two or more persons living together who share responsibility for at least two out of the three major types of expenses: food, housing, and other expenses.

<sup>2</sup> The reference person is the first person mentioned by the respondent when asked to “start with the name of the person or one of the persons who owns or rents the home.” It is with respect to this person that the relationship of the other consumer unit members is determined.

Chart 1. Expenditure shares on selected items, Consumer Expenditure Survey, 2003



from home differed for the two groups, with the less-than-\$70,000 group spending \$1,757, or 38 percent of its food expenditures; the \$150,000-and-over group spent a larger share of food expenditures, 56 percent, on food away from home (\$6,411). The less-than-\$70,000 group had shelter expenditures of \$6,046, a share of 19.1 percent, while the \$150,000-and-over group had shelter expenditures of \$22,117, which accounted for a slightly lower share of 18.6 percent. Similarly, for expenditures on apparel and services, the less-than-\$70,000 group had expenditures of \$1,314, which represented a share of 4.1 percent of total expenditures, whereas the \$150,000-and-over group had expenditures of \$5,083, representing 4.3 percent of total expenditures. While the \$150,000-and-over group had more vehicles per consumer unit than did the less-than-\$70,000 group (2.8 versus 1.7), the lower income group allocated a share double that of the \$150,000-and-over group for gasoline and motor oil (3.6 percent versus 1.8 percent).

Expenditures on gasoline and motor oil were \$1,134 for the less-than-\$70,000 group and \$2,133 for the \$150,000-and-over group. Similarly, while the \$150,000-and-over group had larger expenditures on health insurance than did the less-than-\$70,000 group (\$2,115 versus \$1,140), the latter group allocated a share twice as large as that of the former group (3.6 percent versus 1.8 percent) for health insurance.

Other large differences between the two groups in expenditures and in expenditure shares occurred for spending on education, cash contributions, and personal insurance and pensions—what could be considered more discretionary items. Education spending includes items such as school supplies and out-of-pocket college tuition. The \$150,000-and-over group had education expenditures almost 10 times that of the less-than-\$70,000 group (\$4,243 versus \$439), or 3.6 percent of total expenditures for the former group and 1.4 percent for the latter. Cash contributions, including cash given to members who are not part of the consumer unit, such as students, and

alimony and child support, as well as contributions to charities and religious, educational, and political organizations, follow a similar pattern. The \$150,000-and-over group had expenditures of \$8,534 on cash contributions, an amount almost 10 times that of the expenditures on cash contributions of the less-than-\$70,000 group (\$896); expenditure shares for this item were 7.2 percent for the former group and 2.8 percent for the latter. Personal insurance and pensions accounted for 7.8 percent (\$2,476) of total expenditures for the less-than-\$70,000 group. The \$150,000-and-over group allocated twice as large a share, 16 percent, to this item—more than 7½ times the dollar amount (\$18,958) spent by the lower income group.

It is interesting to note the similarities and differences between these two groups. Though the dollar amounts of expenditures for the two groups were different for every item examined, expenditure shares allocated by both groups for shelter and apparel and services were similar. However, expendi-

ture shares for other necessities—food, transportation, and health-care—were dissimilar, as were shares for more discretionary items—education, cash contributions, and personal insurance and pensions. The less-than-\$70,000 group allocates a larger proportion of total expenditures to necessities than does the \$150,000-and-over group.

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**Table 1. Income before taxes: Average annual expenditures and characteristics and shares of average annual expenditures for selected items, Consumer Expenditure Survey, 2003**

Items	Less than \$70,000	Share	\$150,000 and over	Share	Items	Less than \$70,000	Share	\$150,000 and over	Share
Number of consumer units (in thousands) .....	73,824		4,002		Housing .....	10,464	33.0	36,971	31.2
Income before taxes .....	\$29,793		\$223,634		Shelter .....	6,046	19.1	22,117	18.6
Average Number in consumer unit:					Utilities, fuels, and public services .....	2,450	7.7	4,969	4.2
Persons .....	2.3		3.1		Household operations .....	453	1.4	3,191	2.7
Children under 18 years .....	0.6		0.9		Household furnishings and equipment .....	1,062	3.3	5,304	4.5
Earners .....	1.1		1.9		Apparel and services .....	1,314	4.1	5,083	4.3
Vehicles .....	1.7		2.8		Transportation .....	6,138	19.3	16,799	14.2
<b>Percent distribution</b>					Vehicle purchases (net outlay) ....	2,884	9.1	7,683	6.5
Housing tenure:					Cars and trucks, new .....	1,299	4.1	6,003	5.1
Homeowner .....	59		94		Cars and trucks, used .....	1,538	4.8	1,636	1.4
Renter .....	41		6		Gasoline and motor oil .....	1,134	3.6	2,133	1.8
Education of reference person:					Healthcare .....	2,199	6.9	4,447	3.7
Elementary (1–8) .....	8		(a)		Health insurance .....	1,140	3.6	2,115	1.8
High school (9–12) .....	42		8		Entertainment .....	1,484	4.7	7,147	6.0
College .....	50		91		Education .....	439	1.4	4,243	3.6
Never attended and other .....	(a)		(b)		Cash contributions .....	896	2.8	8,534	7.2
Average annual expenditures .....	\$31,737		\$118,674		Personal insurance and pensions ..	2,476	7.8	18,958	16.0
Food .....	4,619	14.6	11,435	9.6	Life and other personal insurance .....	261	0.8	1,958	1.6
Food at home .....	2,862	9.0	5,023	4.2	Pensions and Social Security ....	2,215	7.0	17,001	14.3
Food away from home .....	1,757	5.5	6,411	5.4					

a: value less than 0.5.  
b: no data reported.