Where does the family money go?

Have you ever heard the phrase, the cost of living? People use it to mean how much money you need to live from day to day, month to month, and year to year. It’s not something that concerns you much, but it concerns your family every day.

What affects the cost of living? The prices of things. If dairy farmers suddenly raise the price of milk, cheese, and butter, your grocery bills go up. If the oil producers in the Middle East raise the price of gasoline, it costs more to drive the family car. If for some reason there’s less electricity being produced, its price will rise, which means it costs more to turn on a lamp.

You don’t pay much attention to these items in the news because they don’t affect you directly. Nobody asks you to use your allowance to chip in for the cost of your breakfast. Nobody tells you that you have to start paying for a ride to school because the cost of gasoline has risen 70¢ a gallon. Your parents may give you an allowance, but they let you spend it on things that are mostly non-necessities, like pizza, music, movies and video games.

When you are young, you are pretty much protected from the cost of living. In fact, you may not even be aware of all the expenses that go into the cost of living. Maybe it’s time to find out. See Where to start on back.

For parents

The cost of living – “check” it out

While parents often say that their kids think money grows on trees, parents often don’t sit down with their kids to show them what it takes “to live.” If your family is like most, the kids don’t think much about gas, electric, and phone bills. They’re even less likely to think about mortgages, taxes, health insurance, or auto loans. However, they may be aware of more obvious costs, like paying for music lessons and groceries.

While some adults don’t want kids to know the amount of the family mortgage payment, kids can learn about the cost of living by looking at lots of other bills. It’s a slice of real life that will help teens and tweens appreciate where the money goes. Its also prepares them for life after the teen years. Kids whose parents teach them about money, grow up to be better savers – putting them on the road to financial security.

(see Where to start on back)
Then there’s taxes

You hear about taxes on the news, and you may have even studied their role in the American Revolution. But let’s talk about them now as part of the cost of living.

Taxes raise money to run the country, the states, and the cities. Lots of things are taxed. Houses, land, gasoline, and the items you buy at the store, just to name a few. Then there is “income” tax. Everyone pays a part of the money they earn to the government in Washington and to the state they live in.

State and federal taxes are taken out of your paycheck before you ever get it! So that when you think about the cost of living, you have to think about taxes too.

Let’s apply the idea of taxes to the money you earn for babysitting and yard work. What if you had to send the federal government 25% of everything you earned — and then send the state another 5%? That’s a total of 30%.

Hey, wait a minute, you say, if I make $12.00 hauling soil, that means I have to pay $3.60 in taxes. That leaves me only $8.40.

True. Welcome to the real world.

Your parents pay these taxes every time they get a check. The money goes to things like building roads and bridges, paying people who work for the government, and building space shuttles. We couldn’t run a society without taxes. Who would pay for the traffic lights? Baseball stadiums? The police and fire departments? The library? All of these things — and thousands of others — are paid for with taxes. It’s the cost of living in America.