

Spending bends to fit inflation

This is the first in a series of five articles by the Michigan Association of Certified Public Accountants (MACPA) on "Living With Inflation."

Is there nothing the ordinary family can do about inflation — short of moving into a cave with a year's supply of turnips?

Corporations, state and local governments, and other organizations deal with the problem, and say there are remedial actions families, too, can take.

In a series of five articles, beginning today, members of the MACPA share some of their insights and offer dollar-gardening suggestions for what is known in corporate circles as "cost containment" but might be termed more simply "living with inflation."

THIS SERIES will cover the effects of spiraling prices on family purchases, rentals, borrowing practices, home ownership plans, investments, savings and hopes for the future, and offer ways to combat those effects.

Not everyone is hit by inflation in the same way nor to the same extent. Persons on fixed incomes suffer the most, while those whose wages or prices are keyed to inflation may be affected hardly at all. To cope with your own particular inflation problem you should know just what that problem is — how your income and purchasing power are uniquely squeezed.

The government's Consumer Price Index (CPI) for urban families is some help, but only some. It divides the cost of living into seven categories and assigns a weight to each category, based on the percentage of total spending the "average" family devotes to each.

For that average family, here's where the money goes:

- Housing, 44 percent
 - Food, 19 percent
 - Transportation, 18 percent
 - Apparel, 6 percent
 - Health Care, 5 percent
 - Entertainment, 4 percent
 - Other goods and services, 4 percent
- (The "other" omits savings, investments, gifts, mortgage amortization, pension contributions and any other costs that might be expected to bring eventual returns and in that sense do not constitute spending. The biggest "other" expenditures are for education, toiletries and tobacco.)

THE CPI also breaks down the overall inflation rate to show how much each category has swollen, relative to prices that prevailed in 1967, the base year. Below we see where the cost factors stood at the start of this year, with 1967 prices representing 100:

- Housing, 228
- Food, 214
- Transportation, 193
- Apparel, 162
- Health Care, 228
- Entertainment, 181

- Other goods and services, 189
- Average, 203

THIS MEANS the average family last year spent \$203 for goods and services that cost \$100 in 1967. But if your spending percentages differ from the average family's — concentrated, perhaps, in areas that have risen more, or less, than the average — the government's CPI fails to accurately show how inflation has hit you.

To learn that, compare your expenditures with those of the average family, determining what percentages of your total spending you devote to each type

of goods and services, then multiply the result by the Cost of Living Index for that category.

By comparing your personal inflation index with the average national end-of-1978 CPI of 203 you can see if you are suffering more or less from inflation than the average family. And a comparison of your percentage allocations to those of the average family will probably tell you why you are faring better or worse.

Such comparisons should be helpful in your personal financial planning, pointing to areas where spending might be reduced to lessen inflation's effects.

Gerald Ford to judge statewide essay contest

Former President Gerald Ford will serve as a finalist judge in the 11th annual America and Me essay contest for Michigan eighth grade students, a statewide writing contest sponsored by Farm Bureau Insurance Group.

The contest, open to any Michigan eighth grader, will be held Oct. 15 to Nov. 9 in hundreds of schools throughout the state.

The top 10 winners in the state will share \$2,000 in savings bonds, while prizes on the local level include hundreds of award certificates and plaques.

In addition to President Ford, the members of the team that will deter-

mine the top statewide winners are Gov. William Milliken, Congressman Robert Carr, and Mary Coleman, Chief Justice of the Michigan Supreme Court.

Conducted with the help of the Farm Bureau insurance agents across the state, the America and Me essay contest was started in 1969 to encourage Michigan youth to seriously consider their role in America's future. Last year, nearly 7,000 students from 333 Michigan schools participated.

Each year, hundreds of excerpts from the essays are compiled into booklet form and distributed to schools, government leaders and visitors at the State Capitol in Lansing.

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