

Price tag for the American dream: \$130K a year

Howard R. Gold, Special to USA TODAY 6:03 a.m. EDT July 4, 2014

No idea is more central to Americans' outlook than the American dream — the belief that with hard work and the freedom to pursue your destiny you can achieve success and provide better opportunities for your children.

Historian John Truslow Adams, who coined the term, called it "the greatest contribution we have made to the thought and welfare of the world." It has inspired millions of people from every corner of the globe to come here in search of liberty and opportunity. But the financial crisis, housing bust and Great Recession have caused more of us to worry that the American dream is out of reach.

For the vast majority of Americans, there is a sense that achieving the American dream is becoming more difficult," wrote Mark Robert Rank, Thomas A. Hirschl and Kirk A. Foster in a new book,

Chasing the American Dream.

Starbucks CEO Howard Schultz, in announcing a new policy to provide employees with a college education, declared: "In the last few years, we have seen the fracturing of the American dream."

In fact, three-quarters of Americans polled by the Brookings Institution in 2008 said the dream was harder to attain.

They're right to worry. An analysis by USA TODAY shows that living the American dream would cost the average family of four about \$130,000 a year. Only 16 million U.S. households — around 1 in 8 — earned that much in 2013, according to the U.S. Census Bureau.

In an interview, co-author Thomas Hirschl, a professor at Cornell University, stressed that for the dozens of people they surveyed and interviewed, the American dream was not about becoming one of the 1%.

"It's not about getting rich and making a lot of money. It's about security," he said. It's also as much about hope for the next generation as it is about the success of this one. "They want to feel that their children are going to have a better life than they do," said Hirschl.

In their book, the authors write that besides economic security, the American dream includes "finding and pursuing a rewarding career, leading a healthy and personally fulfilling life, and being able to retire in comfort."

With that in mind, USA TODAY added up the estimated costs of living the American dream:

- Home ownership is central to the American dream. So, we took the median price of a new home (\$275,000), subtracted a 10% down payment, then projected the annual cost of a 30-year mortgage at 4% interest. We also added annual maintenance costs of 1% of the purchase price. Total: \$17,062 a year.
- We used the U.S. Department of Agriculture's April 2014 figure of \$12,659 for a moderate-cost grocery plan for a family of four.
- In May, AAA estimated it would cost \$11,039 a year to own one four-wheel-drive sport-utility vehicle.

- The Milliman Medical Index pegged annual health insurance premiums and out-of-pocket medical expenses at \$9,144. •We used various estimates for the costs of restaurants and entertainment; one family summer vacation; clothing; utilities; cable or satellite; Internet and cellphone; and miscellaneous expenses (see table).
- Total federal, state, and local taxes were pegged at 30% for households at this income level, based on a model developed for Citizens for Tax Justice.
- USA TODAY calculated current educational expenses for two children at \$4,000 a year and college savings (all of it pretax, we assumed) at \$2,500 per year per child, based on various rules of thumb.
- Finally, the maximum annual pretax contribution to a retirement plan for people under 50 is \$17,500. That's slightly less than 15% of this American dream household's annual earnings, in line with financial planners' recommendations.

Total: \$130,357.

It sounds like a lot — and it is in a country where the median household income is about \$51,000. Add one more child and another vehicle and you could easily reach \$150,000

There are big regional variations, too. It costs a lot less to live the American dream in, say, Indianapolis or Tulsa than it does in metro areas like New York and San Francisco, where housing prices and taxes are sky high.

And many people achieve the dream on much less. Some immigrants, for example, have extended families and other support systems to help bear the burden.

Nonetheless, it's clear that though the American dream is still alive, fewer and fewer of us can afford to live it.

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