

*LIFE-STYLE SACRIFICES AND THE HOME PURCHASE DECISION*

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*ABSTRACT*

*The purpose of this paper is to analyze the life-style sacrifices reported by recent home buyers. During the Spring of 1982, a telephone survey was used to measure the extent of specific life-style sacrifices reported by 152 recent home buyers in a midwest community. The data were analyzed using the Chi-square and gamma statistics and analysis of variance with the Least Significant Difference Test. The findings indicate that the purchase of a home alters the life style of households, particularly in types of expenditures often made with discretionary income. The extent of life-style sacrifice is greater for younger home owners than for the older buyers, for those with lower incomes than for those with higher incomes, and for home buyers purchasing a first home than for those purchasing second homes.*

*INTRODUCTION*

Over the years, home ownership in the United States, has been encouraged by government policies and reinforced by cultural norms. As a consequence, the ownership of a home has become a standard component of the "American dream" (Cooper, 1972; Dillman et al., 1979; Michelson, 1970; Morris and Winter, 1978; USHUD, 1978.)

Recent increases in housing prices (at least through 1982) have made the attainment of home ownership more difficult for many U.S. households. Inflation has increased the cost of land, labor, and building materials and interest rates have risen to the point where many recent home buyers are spending a large proportion of their budget on housing.

Morris and Winter (1977) suggest that families sacrifice a great deal to acquire conventional home ownership. Yet little is known of the life-style sacrifices families encounter with the purchase of a home.

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It is the purpose of this paper to show the extent of life-style sacrifices, in terms of food, clothing, medical care, transportation, entertainment, vacations, use of leisure time, and desired size of family reported by recent home buyers in one midwest community. In addition, the effects of selected socioeconomic and housing characteristics on the extent of sacrifices reported are examined. Such an analysis can indicate the extent to which sacrifices in expenditure areas, other than housing, are made, and whether the extent of sacrifice varies with socioeconomic and housing characteristics.

For most households, purchasing a home is a great financial commitment. Traditionally, housing has represented the most expensive purchase many households ever make. Current Consumer Price Index statistics show that approximately forty percent of consumer income is spent on housing (USBC, 1979). *U.S. News and World Report* recently reported that "at a 17% interest rate, a family would have to earn at least \$38,520 to qualify for a \$60,000 fixed rate mortgage--and would still be spending one-third of its income on housing" (February 8, 1982, p. 78). McAuley and Nutty (1982) found that families in all stages of the life cycle cited housing costs as important in making the decision to move or not.

With large amounts of income being spent each month for home ownership, the purchase of other goods and services may need to be curtailed (Heyne, 1980). Many home buyers, thereby, experience opportunity costs as a result of the decision to purchase a home.

In order to afford the monthly housing payments, households may reduce expenditures in areas of basic need such as food, clothing, and medical care. Others may reduce educational expenditures and/or vacations (Beyer, 1958). Entertainment expenditures may be curtailed. Maintaining a home may involve opportunity costs in the sense that a proportion of one's use of leisure time may be dictated. Adjustment of transportation and commutation behavior may be required. Families may postpone childbearing in order to afford home ownership (Morris and Winter, 1978). They could also sacrifice a sense of security or endanger family members' health by reducing medical expenditures. Lawn care, painting, and repair may require time that perhaps the home owner could have used otherwise.

There is doubt as to whether first-time home buyers (particularly those who are young and who have recently formed a household) can, first, afford to enter the housing market, and second, manage to make required house payments without experiencing financial strain which may have adverse psychological and economic effects. Young, recently formed households tend to be less well established, have lower incomes, and have more expenses than other households. Winter (1980) found that young home owners had significantly lower incomes and significantly higher proportionate housing expenditures than middle-aged owners.

There is a paucity of information about the extent of life-style sacrifices or financial adjustments made by households as a result of the purchase of a home. It is not known which types of households are making the greater sacrifices and in which particular areas. It is important to discover the extent and types of sacrifices connected with the purchase of a home. Such information is vital in the

counseling of households as they weigh costs and benefits associated with a home purchase decision. It is also important to better understand which households experience which sacrifices so that counselors and consultants can better identify the concerns of the clients with whom they are working.

### PROCEDURES

The data for this study were collected by means of a telephone survey of a sample of 250 recent home buyers in Lincoln, Nebraska, during the Spring of 1982. Sample households were systematically selected from the grantees of warranty deeds for residential property recorded between January 1 and June 30, 1981. Of the 250 recent home buyers, 22 were found to be ineligible (i.e., were not occupants of the recently purchased dwelling), reducing the sample size to 213. An interview was successfully completed with 152 home buyers resulting in a 71.4 percent response rate.

Selected socioeconomic and housing variables were measured and categorized for analyses as follows: age (less than 30, 30-35, 36-45, and over 45 years of age), income (less than \$20,000, \$20,000-\$29,999, \$30,000-\$39,999, and over \$39,999), education (high school graduate or less, trade school or some college, college degree, and some graduate work or graduate degree), number in household (one person, two persons, three or four persons, and five or more persons), value of home purchased (less than \$40,000, \$40,000-\$59,999, \$60,000-\$79,999, and over \$79,999), monthly housing costs (less than \$400, \$400-\$599, \$600-\$699, \$700-\$899, over \$899), and number of homes previously owned (none, one, and two or more homes).

The sample includes home buyers who had slightly lower incomes and a greater percentage of first-time buyers than found in national surveys of recent home buyers (USLSA, 1982). However, the sample is closely aligned with recent buyers in the North Central region. The median age was 31 years, the median income is in the range from \$20,000 to \$29,999, three out of four home buyers had an education beyond high school, nearly one-half lived in households composed of three or four persons, 70 percent purchased homes that range in value from \$40,000 to \$79,999, and median monthly housing expenses are in the range from \$600 to \$699. The sample is divided approximately into thirds among those who had, 1) not previously owned a home, 2) previously owned one home, 3) previously owned two or more homes.

Included in the interview schedule was a section of items measuring the reported extent of life-style sacrifices made in order to purchase a home. The items included in the interview schedule were based primarily on categories included within the Consumer Price Index. Desired family size was added as suggested by housing adjustment theory (Morris and Winter, 1975). The respondents were asked to indicate the extent to which they made sacrifices in the following eight areas: 1) food, 2) clothing, 3) medical care, 4) transportation, 5) entertainment, 6) vacations, 7) use of leisure time, and 8) size of family. The response choices are: none, small, medium, large. Scores ranging from zero (none) to three (large) were

assigned to the responses.

The data were analyzed using the Chi-square statistic and gamma, first, to assess where significant associations exist between the extent of sacrifices reported and socioeconomic and housing characteristics, and second, to measure the strength of that association for this sample. To obtain adequate cell sizes, the "none" and "some" response choices were combined into one category, the medium and large into another. Analyses of variance, with the Least Significant Difference test, were used to discover where significant differences in the extent of life-style sacrifices exist among home buyers by socioeconomic and housing-related categories.

## RESULTS

### *Extent of sacrifice*

The extent of life-style sacrifices reported by recent home buyers is shown in Table 1. About two-thirds of the respondents indicated they were making sacrifices in the areas of entertainment, use of leisure time, and the taking of vacations. For those making sacrifices in entertainment and the use of leisure time, the largest proportion felt the extent of these sacrifices was medium. When analyzing the response category, "large sacrifice," not being able to take a vacation was indicated by more home buyers than other types of sacrifices mentioned.

Between 50 and 60 percent of the respondents indicated they were making sacrifices in the areas of food, clothing, and transportation. About one-fourth indicated that they were making medium to large sacrifices in their purchase of clothing and transportation, while somewhat fewer (18.5 percent) were making medium to large sacrifices in the purchase of food.

Approximately one-fifth of the respondents noted that they were making sacrifices in medical care, but the extent of such sacrifices was generally small.

Less than one-fifth of the respondents said that they were making sacrifices in desired size of family because of the purchase of their home. However, over nine percent felt that this had been a medium to large sacrifice.

The results in Table 1 show that a number of recent home buyers report making some adjustments in their life style when they purchase a home. For many, these adjustments were in the more discretionary areas, such as entertainment, vacation, and the use of leisure time. Yet, a number of home buyers report adjustments in the more basic areas of expenditures, such as food, clothing, medical care and transportation. Some indicated that they had decided to purchase a home rather than expand the size of their family.

Table 1. Percentage Distributions and Means for Life-style Sacrifices

Life-style Sacrifices	Extent of Sacrifice				Mean
	None (0)	Small (1)	Medium (2)	Large (3)	
Entertainment	31.6	24.3	36.8	7.2	1.2
Use of leisure time	36.8	23.7	31.6	7.9	1.1
Vacations	37.5	26.3	22.4	13.8	1.1
Clothing	41.4	32.9	19.7	5.9	0.9
Transportation	48.0	29.6	16.4	5.9	0.8
Food	50.0	31.6	15.8	2.7	0.7
Medical care	78.9	17.8	2.0	1.3	0.3
Size of family	82.9	7.9	4.6	4.6	0.3

*Sacrifice and socioeconomic characteristics*

Does the extent of life-style sacrifice differ across specified segments of the population? Theoretically, it might be expected that respondents who differ in age, income, education, household size, monthly housing payments, value and number of homes previously purchased would differ in the extent to which they had to make sacrifices in their life style in order to purchase a home. Because young home buyers tend to have low incomes relative to expenses, it is hypothesized that they experience more and greater life-style sacrifices than older home buyers. Because home buyers with lower income and educational levels and larger families are likely to have fewer resources to meet the costs usually associated with the purchase of a home and demands for consumption of other goods and services, it is hypothesized that they experience greater life-style sacrifices than home buyers with higher income and educational levels and living in smaller households. Because of the accumulation of equity, it is hypothesized that respondents who have previously purchased a home make fewer sacrifices than first-time home buyers.

The associations between the extent of life-style sacrifices and socioeconomic characteristics are presented in Table 2. The extent of seven of the eight sacrifices is related to age, with the gammas indicating negative associations. In other words, as home buyers become older, the extent of life-style sacrifice that occurs with the purchase of a home is likely to decrease. Information obtained from the relative percentages included within the categories (not shown in the tables) indicates that the two sacrifices that are predominantly experienced by home buyers under thirty years of age are desired size of family and transportation. A sacrifice predominantly experienced by home buyers from 30 to 35 years of age was entertainment. The greater proportion of sacrifices in expenditures for clothing and vacations was found among the age categories 35 years and younger. Because of the small number of respondents who indicated that they were making medium and large sacrifices in the area of medical care, caution must be used in the interpretation of these results.

Table 2. Associations Between Life-style Sacrifices and Selected Socioeconomic Characteristics

Sacrifice	Age		Income		Education		Household Size	
	$\chi^2$	Gamma	$\chi^2$	Gamma	$\chi^2$	Gamma	$\chi^2$	Gamma
Food	7.01*	-.17	7.66**	-.44	8.67**	-.05	5.45	.04
Clothing	9.82**	-.36	10.17**	-.42	5.48	.11	3.48	.02
Medical care <sup>1</sup>	7.60**	-.08	7.43*	-.87	1.72	-.39	5.15	1.00
Transportation	6.57*	-.41	3.77	-.29	5.41	-.04	1.53	-.14
Entertainment	9.69**	-.19	4.88	-.16	1.81	.11	3.92	.14
Vacations	10.52**	-.21	3.09	-.22	4.87	.23	1.92	.10
Leisure	2.75	-.18	2.96	-.15	7.21*	.20	3.57	.15
Family size	8.06**	-.63	5.45	-.23	5.16	-.49	1.57	.09

d.f.=3

\*\*P<.05, \*P<.10

<sup>1</sup>Because few respondents indicated a moderate to large sacrifice in medical care, the Chi-square test may not be valid.

The extent of sacrifices made in the basic areas of food, clothing, and medical care is significantly related to income. As income decreases, the extent of sacrifice increases. One-third of those with incomes of \$20,000 or less are making medium to large sacrifices in the area of food, compared to about one-fifth of those with incomes over \$30,000. Sacrifices in the area of clothing encompass a somewhat wider range of income levels. Slightly over one-third of those in the below \$20,000 category and in the \$20,000 to \$29,999 category are making major sacrifices in clothing, compared to about ten percent of those with incomes over \$30,000. The largest proportion of those experiencing sacrifices in medical care have incomes under \$20,000.

The extent of sacrifices in food purchases and use of leisure time is related to educational level. Food sacrifices are more likely among the lower educational categories than among the higher. However, leisure sacrifices are more likely to occur among the more highly educated than among the less educated categories. Perhaps those with higher educational levels have developed a wider range of leisure time activities and therefore found home maintenance activities somewhat more restrictive. Household size was not found to be related to the extent of sacrifices reported with the purchase of a home.

*Sacrifice and housing characteristics*

Table 3 shows the associations between the extent of life-style sacrifices and the characteristics of the housing of recent home buyers. The value of the home purchased was found to be negatively related to sacrifices in transportation, medical care and desired family size. Over one-third of home buyers who purchased homes for under \$60,000 reported making sacrifices in transportation compared to

slightly over 10 percent of those who had purchased a home valued over \$60,000. When this finding is interpreted in relation to the other findings of this study which indicate that age and number of homes previously purchased are also related to the extent of sacrifices in transportation, it appears this problem is primarily experienced by first-time home buyers who are younger and who are purchasing a lower priced home. It seems likely that there is a desire and need for additional and/or better transportation by these home buyers, while at the same time, a strain is placed on their budgets because of the home purchase. The home buyers who purchased homes for less than \$40,000 were also home buyers who were most likely to be making sacrifices in the desired size of family.

While it was anticipated that monthly housing expenditures would be related to the extent of sacrifices reported, no significant relationships were found. While there was a tremendous range in monthly housing costs, it appears that households are assuming housing-related financial obligations in relation to their available resources and therefore, housing costs did not relate to the extent of sacrifices reported. Perhaps this finding is affected by lending institution policies within the community surveyed.

The number of homes previously owned is negatively related to extent of sacrifices in transportation and vacations. Over one-third of the home buyers who had not previously owned a home were experiencing medium to large sacrifices in their transportation compared to one-fifth of those who had purchased one previous home and slightly over ten percent of those who had purchased more than one home.

Table 3. Association Between Life-style Sacrifices and Selected Housing Characteristics

Sacrifices	Value of Home		Monthly Housing Costs		Number of Homes Previously Owned	
	$\chi^2$	Gamma	$\chi^2$	Gamma	$\chi^2$	Gamma
Food	5.69	-.28	2.89	-.11	4.26	-.33
Clothing	3.56	-.11	3.29	-.07	1.43	-.18
Medical care <sup>1</sup>	8.15**	-.35	2.15	-.35	3.65	.52
Transportation	9.40**	-.43	5.05	-.16	8.54**	-.44
Entertainment	3.04	-.20	4.67	.10	.95	-.12
Vacations	6.03	-.15	4.67	.03	4.89*	-.28
Leisure time	1.23	-.09	2.66	-.01	1.34	-.15
Family size	8.90**	-.65	1.59	-.12	2.26	-.31
	d.f.=3		d.f.=4		d.f.=2	

\*\*P<.05 \*P<.10

<sup>1</sup>Because few respondents indicated a moderate to large sacrifice in medical care, the Chi-square test may not be valid.

The move from rental property to an owned home may also be a move from a central location with public transportation possibilities to a suburban location where public transportation possibilities are more limited. Also, it is possible that the purchase of the first home may have required a decision between use of resources for a home or a new and/or additional car.

Nearly one-half of home buyers who had purchased their first home felt they were making medium to large sacrifices in their vacations, compared to less than one-third of those who had purchased one or more previous homes. Life-style change which can accompany the purchase of a home may be more noticeable to first time home buyers and it is possible that the purchase of the first home places a relatively greater strain on the budget.

While Table 2 and Table 3 showed the relationships between the extent of eight individual life-style sacrifices that can result because of the purchase of a home, and socioeconomic and housing characteristics, Table 4 shows where differences exist between socioeconomic and housing-related categories in the extent of life-style sacrifices reported. In this way, we can discover the groups of home buyers, who find they are experiencing greater overall life-style sacrifices with the purchase of a home.

Table 4. Differences Among Recent Home Buyers

Categories of Recent Home Buyers	Life-style Sacrifices Means
<b>Age</b>	
Less than 30	15.27 <sup>a</sup>
30 through 35	15.48 <sup>a</sup>
36 through 45	13.62 <sup>ab</sup>
Over 45	11.58 <sup>b</sup>
<b>Income</b>	
Less than \$20,000	15.29 <sup>a</sup>
\$20,000 through \$29,999	15.67 <sup>ab</sup>
\$30,000 through \$39,999	13.49 <sup>ac</sup>
Over \$39,999	12.04 <sup>c</sup>
<b>Value of home</b>	
Less than \$40,000	15.94 <sup>a</sup>
\$40,000 through \$59,999	15.02 <sup>a</sup>
\$60,000 through \$79,000	14.26 <sup>ab</sup>
Over \$79,999	12.20 <sup>b</sup>
<b>Number of Homes Previously Purchased</b>	
None	12.98 <sup>a</sup>
One	11.67 <sup>ab</sup>
Two or more	11.14 <sup>b</sup>

(a,b,c) Means with different superscripts are significantly different at .05 level

No significant differences in extent of life-style sacrifices exist between categories of home buyers who are less than 45 years of age. However, the home buyers over 45 report significantly less extensive life-style sacrifice than those who are 35 and younger. Likewise, no significant differences exist among home buyers with incomes in categories of less than \$40,000, while those receiving incomes in excess of \$39,999 experience significantly fewer life-style sacrifices than those with incomes of less than \$30,000. The home buyers with incomes in the range from \$30,000 to \$39,999 reported that they have reported significantly less extensive life-style sacrifices than those with incomes in the range from \$20,000 to \$29,999.

Differences in extent of life-style sacrifices were not indicated by levels of education or household size. No significant differences were found between home buyers who had purchased homes valued at less than \$80,000. However, home buyers who had purchased homes valued at \$80,000 or more did indicate they were making significantly less extensive sacrifices than are those who had purchased homes for less than \$60,000. Home buyers who had previously purchased two or more homes were experiencing significantly fewer life-style sacrifices than first-time home buyers.

These results indicate that, of recent home buyers, those who are under 35 years of age, have incomes of less than \$30,000, had purchased a home valued at \$60,000 or less, and had not previously purchased a home, indicated a higher level of sacrifice as a result of the purchase of a home than those over 45, with incomes more than \$40,000, purchasing homes for \$80,000 or more, who had previously purchased two or more homes.

#### *DISCUSSION*

The findings of this study indicate that the purchase of a home is related to reported life-style changes of households, particularly in expenditures often made with discretionary income. Recent home buyers of varying age, income, and educational levels differ in the extent to which they reported sacrifices in particular expenditure categories. Households purchasing their first home and purchasing homes of less value report more sacrifices in certain expenditure areas than other home buyers.

The findings of this study further indicate that life-style sacrifices related to the purchase of a home are significantly greater for, 1) younger home buyers, 2) those with less income, 3) and those who are purchasing a first home, than for older, higher income households who have purchased one or more previous homes.

While this paper is addressed to basic questions pertaining to the consequences of home purchase for households, additional research is needed to gain the degree of understanding and information necessary for satisfactory, efficient, and effective decision making by members of individual households, policy makers within governmental bodies, and institutional decision makers within the private sector.

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