Family Basket Index — Methodology

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The Family Basket Index prices ten categories of annual spending for a family of four and compares the total with the median income of married couples with children. This document gives the rule, source and refresh schedule behind every published number. It is version 2.0, effective with the Q3 2026 release (October 2026).

What the index measures

The index asks one question: what does a decent middle-class year cost a family of four, and how does that compare with what a typical family of four earns?

- **The family.** Two adults and two children in mid-cost suburban America. The basket is a composite of the child-rearing years: it carries childcare for two children under school age together with school costs and food for two school-age children. National averages are used throughout; the index does not track regions.
- **The basket.** Ten annual costs: groceries, housing, two cars, healthcare, school supplies, a two-week vacation, holiday gifts, childcare, retirement saving and student loan payments. Childcare entered the basket in 1995 and student loans in 2000.
- **Total and family-borne cost.** The total includes what employers pay toward health coverage and retirement. Family-borne cost leaves those two employer amounts out.
- **Affordability Ratio.** Basket cost as a percentage of the median income of married couples with children under 18. This is the headline number.
- **Cost Index.** Basket cost relative to the 1990 benchmark, which is set to 100.

All figures are in nominal dollars of the period shown.

Headline calculations

Every headline figure is computed from the ten category lines; none is entered by hand.

Measure	Formula
Total basket cost	Sum of the ten category totals

Measure	Formula
Family-borne cost	Total basket cost − employer share of healthcare − employer share of retirement
Affordability Ratio (total)	Total basket cost ÷ median income of married couples with children
Affordability Ratio (family-borne)	Family-borne cost ÷ median income of married couples with children
Take-home income	Median income of married couples with children − federal income tax − employee payroll tax. See Taxes below
Share of take-home	Family-borne cost ÷ take-home income
Cost Index	Total basket cost ÷ 1990 total basket cost ($43,346) × 100
Change since 1990	Latest value ÷ 1990 value − 1. Childcare and student loans are measured from 2000
CPI comparison	BLS CPI-U, all items, average for the quarter before the release quarter ÷ 130.7 (the 1990 annual average) × 100

Dollar amounts are rounded to the nearest dollar. Ratios and index values are rounded to the nearest whole number after the calculation, so published ratios may differ by a point from ratios recomputed from rounded inputs.

Category rules

Four lines are recalculated from primary data every release or every year; six are carried from their Q1 2026 base and re-indexed once a year.

Category	Rule	Source	Refresh
Groceries	Moderate-Cost Food Plan, U.S. average, for a woman and a man aged 19–50 and children aged 6–8 and 9–11. Monthly cost × 12, from the latest monthly report at release	USDA Official Food Plans	Quarterly
Housing	Median sales price for the prior quarter, 20% down, 30-year fixed loan at the release quarter's average rate, plus taxes and insurance at 1.834% of price. See Housing below	Census/HUD median sales price of new houses sold (FRED MSPUS); Freddie Mac PMMS	Quarterly
Two cars	Q1 2026 base of $22,200 (two used-car payments, full-coverage insurance and gasoline), re-indexed each year to the change in CPI-U private transportation since Q1 2026	BLS CPI	Annual
Healthcare	Average annual premium for employer family coverage. Family share is the worker contribution; employer share is the remainder	KFF Employer Health Benefits Survey	Annual, October

Category	Rule	Source	Refresh
School supplies	Q1 2026 base of $1,300 ($650 per child), re-indexed by the year-over-year change in average K–12 household back-to-school spending	NRF Back-to-School Survey	Annual
Vacation	Q1 2026 base of $7,249, re-indexed each year by the 12-month change in the Travel Price Index for the latest month published at release	U.S. Travel Association	Annual
Holiday gifts	Q1 2026 base of $1,400, re-indexed by the year-over-year change in average planned holiday spending	NRF Holiday Survey	Annual, in the first release after publication
Childcare	Q1 2026 base of $29,000 for center-based care for two children, re-indexed by the year-over-year change in the national average price	Child Care Aware of America	Annual
Retirement	15% of the median income of married couples with children, split between employer and family. See Retirement below	Fidelity savings guideline; Census income; BLS Employer Costs for Employee Compensation	Annual, with income

Category	Rule	Source	Refresh
Student loans	Q1 2026 base of $6,000 for two adults, $250 a month each, re-indexed by the year-over-year change in the average monthly federal loan payment	Education Data Initiative	Annual
Median income, married couples with children	Latest published annual median for married-couple families with one or more children under 18, nominal dollars	U.S. Census Bureau, Current Population Survey, Historical Income Table F-10	Annual, September

Re-indexing keeps each of the six base lines continuous from quarter to quarter and ties every later change to a published figure. Before this version those lines had no written update rule.

Standards the index sets

The basket prices what a middle-class family should be able to afford, not the average of what families manage to spend. Average spending already reflects what families have given up, so three lines are set as stated standards and shown next to the published figures that bracket them.

Line	Standard	Amount	Published reference points
Childcare	Full-time center-based care for two children under school age	$29,000	Twice Child Care Aware's national average price, all ages and settings: $26,368. Care.com center rates for one infant and one toddler, 52 weeks: $33,280
School supplies	$650 per child for clothing, shoes, supplies and electronics	$1,300	Deloitte 2026 survey, average reported spend per child: $557. NRF 2026 survey, average per household with K–12 children: $864

Line	Standard	Amount	Published reference points
Vacation	Two weeks away for a family of four, one trip by car and one by air	$7,249	13 nights of lodging and 14 days of meals at the federal government's standard travel rates, plus four average domestic round-trip fares: $6,482 before any activities

The vacation reference uses the GSA standard rates for fiscal 2026 ($110 a night for one room; $68 a day for meals, counted for two adults and for two children at half rate) and the BTS average round-trip fare for Q2 2026 ($549). Each standard was set in Q1 2026 and moves only by the re-indexing rule in the table above.

Housing

The housing line is one year of mortgage payments on a median-priced home, plus property taxes and homeowner's insurance.

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\text{Housing} = 12 \times L \cdot \frac{r(1+r)^{360}}{(1+r)^{360}-1} +
0.01834 \times P
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P is the median sales price, L is the loan (80% of P) and r is the annual mortgage rate divided by 12.

- **Price.** The median sales price of new houses sold for the quarter before the release quarter, because that is the latest figure published at release time.
- **Rate.** The simple average of Freddie Mac's weekly 30-year fixed readings during the release quarter.
- **Taxes and insurance.** 1.834% of price a year. The rate is calibrated to the Q1 2026 baseline, which carried about $7,395.
- **Not included.** The down payment itself, closing costs, mortgage insurance, maintenance and utilities.

Worked example, Q2 2026 release:

Step	Value
Median sales price, Q1 2026 as first published	$403,200

Step	Value
Loan at 80%	$322,560
Average 30-year rate, Q2 2026	6.42%
Monthly principal and interest	$2,021.86
Annual principal and interest	$24,262
Taxes and insurance at 1.834%	$7,395
Housing line	$31,657

The same rule at a 6.0% rate gives $30,602, against the Q1 2026 figure of $30,600. The Q1 rate was recorded only as about 6.0%. For the Q3 2026 release the same rule gives $32,919: the Q2 2026 median price of $410,700 at the Q3 average rate of 6.68%.

Retirement

The retirement line is 15% of the median income of married couples with children in every period. That is the same income the Affordability Ratio uses, and 15% is the share of pay Fidelity recommends saving to keep the same standard of living in retirement.

The line is then split using what private employers actually spend. The employer share is the comparison income multiplied by employers' retirement and savings cost as a percentage of wages and salaries, from the BLS Employer Costs for Employee Compensation series for private industry. It counts traditional pensions and 401(k)-type contributions together. The family share is the rest.

Period	Income, married couples with children	Total (15%)	Employer cost, % of wages	Employer share	Family share
1990	$41,260	$6,189	4.15%	$1,713	$4,476
2000	$63,130	$9,470	4.07%	$2,571	$6,899
2010	$77,380	$11,607	4.90%	$3,794	$7,813
2020	$111,200	$16,680	5.04%	$5,600	$11,080
Q1–Q2 2026	$143,000 (2024)	$21,450	4.82%	$6,887	$14,563
Q3 2026	$149,600 (2025)	$22,440	4.78%	$7,156	$15,284

Benchmark years use the BLS estimate for March of that year. The 2026 quarters use the latest estimate published at release: March 2026 for the restated Q1 and Q2 figures and June 2026 for Q3.

Before version 2.0 the split used assumed employer percentages, from 60% in 1990 down to 5.7% in 2026, that had no source and counted pensions only. On the BLS series, employers have covered between 27% and 34% of the 15% target in every period. What changed is the form: defined benefit pensions were 39% of employer retirement cost in 2000 and about 25% in 2026.

Taxes

Take-home income is the comparison income less federal income tax and the employee share of Social Security and Medicare tax, worked out from that year's tax rules for a married couple filing jointly with two children under 17.

- **Income tax.** The standard deduction, personal exemptions in the years they applied, the rate schedule and the child tax credit.
- **Pre-tax items.** The family's health premium comes out before income and payroll tax, and its retirement contribution before income tax, as under a typical employer plan.
- **Payroll tax.** 7.65% of pay after the health premium.
- **Not counted.** State and local taxes, and temporary credits such as Making Work Pay in 2010 and the pandemic rebates in 2020.

Period	Tax year	Income	Federal tax	Share of income	Take-home	Family-borne cost	Share of take-home
1990	1990	$41,260	$6,389	15.5%	$34,871	$38,483	110%
2000	2000	$63,130	$9,097	14.4%	$54,033	$63,117	117%
2010	2010	$77,380	$8,712	11.3%	$68,668	$82,082	120%
2020	2020	$111,200	$12,052	10.8%	$99,148	$101,497	102%
Q1 2026	2024	$143,000	$17,038	11.9%	$125,962	$133,982	106%
Q2 2026	2024	$143,000	$17,038	11.9%	$125,962	$136,383	108%
Q3 2026	2025	$149,600	$17,437	11.7%	$132,163	$141,727	107%

This measure replaces gross income needed and the income gap, which divided the whole basket by 0.67 on an assumed 33% tax rate. That rate had no source, and the whole basket includes employer-paid costs that no family pays from take-home pay.

Benchmark years, 1990 to 2020

For 1990, 2000, 2010 and 2020, version 2.0 rebuilds every line by a written rule except two: student loans, and healthcare before 2010.

- **Built by formula.** Income (Census Table F-10), housing, retirement, take-home income, and healthcare for 2010 and 2020 (KFF).
- **Groceries.** Twelve months of the USDA Moderate-Cost plan for the same family of four, added up for each benchmark year. USDA's archive begins in January 1994, so the 1990 figure is the 1994 cost carried back by the BLS CPI-U for food at home.
- **Carried back by price index.** Cars, school supplies, vacation, holiday gifts and childcare are the Q1 2026 standard multiplied by the benchmark year's annual average price index and divided by the January–March 2026 average. Cars use the BLS CPI-U for private transportation, childcare the CPI-U for day care and preschool, and the other three the CPI-U for all items. Each figure is the same standard at that year's prices.
- **Estimated.** Student loans for 2000 to 2020 are rounded estimates. Healthcare for 1990 and 2000 is estimated from earlier industry surveys.

School supplies, holiday gifts and childcare move forward from Q1 2026 on annual surveys and backward on price indexes, because the surveys do not reach 1990 or 2000. Before version 2.0, groceries and the five carried-back lines were rounded estimates for each benchmark year.

The Moderate-Cost plan is USDA's nutritious diet priced at the spending level of households in the third quarter of food spending, the 50th to 75th percentile. When USDA last revised the plan's market basket, in 2007, it held the inflation-adjusted cost unchanged, and it updates the cost each month with the consumer price indexes for food.

Benchmark-year groceries:

Year	Groceries	As first published	Basis
1990	$6,636	$7,800	1994 cost ($602.72 a month over the eleven months in the archive; February is missing) × 12, carried back by the food-at-home index: 132.317 for 1990 ÷ 144.218 for the same eleven months of 1994
2000	$8,428	$9,600	Sum of the twelve monthly costs
2010	$11,405	$11,400	Sum of the twelve monthly costs
2020	$13,191	$13,000	Sum of the twelve monthly costs

Benchmark-year housing uses the annual average of the median sales price and Freddie Mac's annual average 30-year rate:

Period	Median sales price	Rate	Housing line	As first published
1990	$122,300	10.13%	$12,659	$12,600
2000	$167,550	8.05%	$14,931	$15,400
2010	$222,700	4.69%	$15,160	$17,600
2020	$328,150	3.11%	$19,487	$22,000

The first-published figures mixed Census home values (1990 and 2000) with sales prices, and full financing (2010 and 2020) with a 20% down payment. On the single series, the median sales price rose 236% between 1990 and Q2 2026.

Lines carried back from their Q1 2026 standard by a price index (annual average of the benchmark year ÷ the 2026 base):

Line	Q1 2026	1990	2000	2010	2020	Index
Two cars	$22,200	$9,690	$12,161	$15,393	$16,201	CPI-U private transportation: 118.817, 149.125, 188.747, 198.661; Q1 2026 272.218
School supplies	$1,300	$519	$684	$866	$1,028	CPI-U all items: 130.7, 172.2, 218.056, 258.811; Q1 2026 327.417
Vacation	$7,249	$2,894	$3,813	$4,828	$5,730	CPI-U all items, as above

Line	Q1 2026	1990	2000	2010	2020	Index
Holiday gifts	$1,400	$559	$736	$932	$1,107	CPI-U all items, as above
Childcare	$29,000	n/a	$11,365	$17,488	$22,685	CPI-U day care and preschool (1990 = 100): 156.250, 240.432, 311.887; 2026 398.702

The day care and preschool index is the BLS series as republished by officialdata.org, because the BLS and FRED pages could not be retrieved. No monthly figure for early 2026 was available, so the 2026 year-to-date average stands in for Q1 2026; the choice moves the 2000 to 2020 childcare figures by less than 1% and does not affect any 2026 figure.

Benchmark-year results:

Measure	1990	2000	2010	2020
Total basket	$43,346	$71,588	$95,649	$122,851
Family-borne cost	$38,483	$63,117	$82,082	$101,497
Affordability Ratio (total)	105%	113%	124%	110%
Affordability Ratio (family-borne)	93%	100%	106%	91%
Cost Index	100	165	221	283

Releases and revisions

The index is published once a quarter, after the quarter's mortgage rates and the prior quarter's home prices are available.

- **Every release.** Groceries and housing are recalculated, and the CPI comparison is updated.
- **Annual edition.** The Q3 release, published each autumn, also refreshes median income, healthcare, retirement and the six re-indexed lines. It waits for the Census income report in September and the KFF survey in October.
- **Data lags.** Home prices run one quarter behind. Income runs about nine months behind: the 2025 median is first used in the Q3 2026 release.
- **Unchanged lines.** A line that is not scheduled for refresh is shown as carried forward, not as zero change.

Published figures are restated only for a change in method or a calculation error, and every restatement is recorded in the change log below. Routine revisions by the source agencies are not carried back into earlier releases; the next release uses the latest published figure.

Change log

Release	Published	Change
Q3 2026	October 2026	Methodology version 2.0. The Affordability Ratio now compares the basket with the median income of married couples with children under 18 instead of all households. Retirement is now 15% of that same income in every period (it was 15% of household income for 1990 to 2020 and $18,250 for 2026), split using BLS employer-cost data in place of assumed percentages. Gross income needed and the income gap, which assumed a flat 33% tax rate, are replaced by a take-home comparison built from federal tax rules. Benchmark-year housing rebuilt on the current rule; benchmark-year groceries rebuilt from the USDA Moderate-Cost plan; cars, school supplies, vacation, holiday gifts and childcare carried back from their Q1 2026 values by BLS price indexes. Written rules adopted for all ten lines. Every total, ratio and index value is restated: the 1990 base moves from $40,726 to $43,346, the Q1 2026 total from $157,812 to $161,012 and the Q2 2026 total from $160,213 to $163,413.
Q2 2026	July 2026	Groceries moved to the USDA Moderate-Cost plan ($14,820 to $16,164). CPI comparison rebuilt from BLS annual averages (2026 value 207 to 251). All totals recomputed from the category lines: the 1990 base moved from $38,550 to $40,726 and the Q1 2026 total from $159,812 to $157,812. Quarter-over-quarter section added.
Q1 2026	February 2026	First publication. Ten categories, mid-cost tier, 1990 benchmark set to 100.

Limitations

The index is a consistent yardstick, not a household budget survey, and it should be read with these limits in mind.

- **Income comparison.** The comparison income is the median for married couples with one or more children under 18. It is not limited to families with exactly two children, it counts the income of every family member, and it is income before taxes. It rose 8.9% in 2024 and 4.6% in 2025, so the ratio can shift noticeably when income is updated.
- **A composite family.** The basket combines childcare for two children under school age with school supplies and food for two school-age children. No single household pays all of these in the same year; the basket represents the costs a family meets across the child-rearing years.
- **Employer retirement share.** It is the average for all private-industry workers, including those whose employers offer no plan. A given family's employer may contribute much more, or nothing.
- **Taxes.** Take-home income counts federal income and payroll taxes only. State and local taxes are left out, so take-home pay is overstated for most families.
- **Home prices.** The price series covers new houses sold, which can differ from prices of existing homes.
- **Benchmark years.** For 1990 to 2020, five lines are the Q1 2026 standard carried back by a price index, not prices collected in those years. BLS adjusts its indexes for quality, most visibly for cars, so the carried-back cost of two cars in 1990 is higher than a comparison of sticker prices would give. USDA revised the Moderate-Cost market basket in 2003 and 2007 and cautions that costs from different basket periods are not one continuous series; the index takes each year's plan as the standard of that year.
- **What is left out.** Utilities, clothing, dining out, phone and internet, home maintenance, college tuition and elder care are not in the basket.
- **Two cars.** The $22,200 Q1 2026 base rests on two average used-car payments, $542 a month each or $13,008 a year (Experian, Q2 2026); the remaining $9,192 for insurance and gasoline is a Q1 2026 estimate not yet itemized against a published source. AAA's 2026 estimate for owning and operating one new car is $12,863 a year, which puts two cars above the basket's figure.
- **Lines held in Q3 2026.** Holiday gifts and student loans were held at their Q1 2026 values because the 2026 holiday survey and a new average-payment figure were not published by release. They will be re-indexed in a later release.

Sources

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- IRS, tax year 2020 inflation adjustments and tax year 2024 inflation adjustments
- Congressional Research Service, The Child Tax Credit: Legislative History (R45124)

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- AAA, new vehicle ownership costs 2026

The Education Data Initiative and the Fidelity savings guideline are named in the rules above but their pages were not opened in preparing this edition.