The Hidden Costs of a Dual Income Household

There was a time in the not too distant past when dad went to work to bring home the bacon, and mom stayed home, raising kids, running a household, and involving herself with the schools and community. While it is wonderful to see glass ceilings shattering the world over (most med schools classes are now in fact 50% female), there are a few things about the traditional set-up that just make sense financially speaking. Sometimes traditions become traditions for a reason. Consider a couple, married with children, deciding whether they should both keep working.

First of all, let’s skip over the most important part of this debate, which is whether the second spouse wants a career or not for fulfillment purposes or would prefer to stay home for various reasons. We’re looking at this purely from a financial picture. Let’s examine the costs of the spouse of a physician going to work. To make it easy for me, I’ll use the situation of my own spouse, a teacher.
8 Hidden Costs of a Dual Income Household

1) Taxes

The only thing more depressing than the salary of a teacher is seeing what the entire salary of that teacher is when it is taxed at the marginal tax rates of a doctor. The average salary of a teacher in my state is $42,000. But if my wife went back to work as a teacher, we’d pay taxes on her entire salary at 33% federal and 5% state. There goes $16,000. Oh wait, I forgot about social security and medicare taxes. Make that $19,200. That’s right, even though YOU’VE hit the maximum SS contribution for the year (and likely paid the employer portion as well), your spouse still hasn’t and that money will be taken out of her paycheck.

2) Charitable contributions

Many folks are religious and tithe up to 10% of their gross income. If this applies to you, you can whack another 10%, or $4200 off that salary.

3) Childcare costs

I’ve got three kids, only one in school all day. So childcare costs for two in my state would average $11,640. I’m going to knock 1/4 off of that since a teacher could be around during the summer anyway. That’s $8730.

Let’s stop to add up where we’re at:
Gross Salary: $42,000  
Taxes: -$19,200  
Charity: -$4200  
Child Care: -$8730  
Subtotal: $9870  

Let’s keep going.

4) Poor consumer decisions

My wife is a frugal shopper and does a good job avoiding frivolous expenses. Part of the reason is because she has time to comparison shop and wait for deals. I do not. I’m busy working, and when I’m not at work I don’t feel like spending time shopping, so I go to the most convenient place to get what I need and buy it. If she were working, we’d likely spend more. It’s hard to quantify this, but let’s say $500 a year.

5) Maid services

With three small kids, it’s tough to keep our place clean with a stay at home mom. No way could we do it with my wife working. We’d have to hire a maid. At $100 a week, that’s $5200 a year. Even if we got a deal, and only had them come half as much, that’s still another $2600. You might also find you need to hire other services out, such as landscaping, snow removal, maintenance etc.

6) Additional food expenses

Let’s face it, when two earners get home from a long day at work neither of them has the energy to cook a nice meal (much less clean up after it.) So what do they do? They order out, or pick something up on the way home, or go out to eat. How much more does that cost? Let’s say an extra $200 a month, or $2400. We have a garden. If she was working we might still
have it, but maybe not. There’s a few bucks there too.

7) Work expenses

Many jobs require a professional wardrobe, education costs, licensing costs etc. This obviously differs quite a bit, but let’s say another $500 in our case.

8) Transportation expenses

A physician household probably already has a second car, but there will be additional wear and tear and gasoline from the commuting expenses. Let’s say another $500 a year.

Gross Salary: $42,000
Taxes: -$19,200
Charity: -$4200
Child Care: -$8730
Poor consumer choices: -$500
Maid: -$2600
Additional food: -$2400
Work expenses: -$500
Transportation: -$500

Grand Total: $3870

Now, let’s consider how many hours a teacher works. Let’s say 8 hours a day, 5 days a week, for 34 weeks a year. That’s 1360 hours. $3870 for 1360 hours works out to $2.84 an hour. Teachers have always been poorly paid, but THAT poorly paid?
Also, consider that I’m a shift worker. A typical shift in emergency medicine is worth $1000-2000. It is obvious that our family would be a lot better off financially if I worked an additional SHIFT each month (or even every other month) than if my wife worked an additional 20 DAYS each month.

Now, your situation may differ. Like I said, the financial picture is only part of it, and arguably not even the most important part of making the decision to go from a two-income family to a one-income family. Your family’s expenses may be different than mine. You may only have one child, give less to charity, live in a low tax state, or have minimal commuting expenses. There might be some additional financial benefits of your spouse working, such as additional tax-deferred investing “space”. Your spouse may also earn a lot more than a teacher. The argument starts falling apart quickly if your spouse is an orthopedist. But you should definitely run the numbers and determine just how much (or how little) your spouse is really bringing home per hour worked. The numbers look bad for the average American with child care expenses. For a physician family, they can look much worse. The traditional family set-up with one parent out working and one at home has worked for millennia. Perhaps we shouldn’t be so quick to abandon it, at least for financial reasons.