“That McDonald’s budget people are making fun of isn’t cruel. It’s realistic.”

By Timothy B. Lee

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Various people are mocking McDonalds and Visa for putting together this sample budget for someone living on an after-tax income of $24,720 per year, calling it "ridiculous" and "hilariously obtuse."

Budgets depend on individual circumstances, so it's hard to know if a budget will work for any specific individual. But with a couple of exceptions, these are typical figures for the spending of millions of low-income Americans. Here are the major items in the budget:

Rent: Gawker's Neil Casey calls $600 per month for rent a "laughably small" figure, but Casey should spend more time outside the Northeast Corridor. When I lived in St. Louis, my roommate and I each paid $425 per month for our comfortable two-bedroom, two-bathroom apartment in one of the city's nicer neighborhoods. My then-girlfriend was paying less than $500 a month for a one-bedroom apartment. Then we moved to Philadelphia, where we paid $1,125 for a two-bedroom apartment in another nice neighborhood. That's less than $600 per month per person. Paying $600 in rent sounds like a fantasy in New York but it's completely plausible in typical U.S.cities.

Utilities: The budget allocates $0 for heat. This could be realistic in some Southern states, or in apartment buildings where heating costs are covered by the landlord. But most Americans have to pay heating costs. McDonalds and Visa have tacitly acknowledged their mistake by changing the heat figure to $50 in the latest version of the chart.

The other utility figures are more realistic. The budget has electricity costing $90, just slightly below the national average of $103. There's $100 earmarked for phone and cable services. The FCC says the average cost of basic cable is $20.55, while "expanded basic" costs an average of $61.63. Cricket offers basic cellphone plans that start at $35 per month, while its smartphone plans start at $50 per month. So for $100 per month, you can either get basic cable and a smartphone, or expanded basic cable and a basic cellphone. Either way, $100 is a realistic amount for a low-income individual to pay for cable and cellphone service.

Health care: It's possible, but unlikely, that an employer could offer an insurance policy with an employee contribution of $20 per month. But otherwise, $20 per month isn't a realistic figure for health insurance.

Low-income individuals receive assistance from Medicaid, but an after-tax income of $24,720 would put Medicaid out of reach in most states. The same point will likely apply to the subsidies offered by Obamacare: An individual with an income of $17,000 in California will be able to get a basic health insurance plan at no cost, but an individual making $28,000 will have to pay at least $137 per month.

So even a young, healthy person will have to pay $100 or more for an individual health insurance policy in most circumstances. Perhaps McDonalds is tacitly admitting that many low-income workers, including McDonalds employees, can't afford health insurance and simply make do without it.

Food and clothing: These aren't listed explicitly, but they are counted as part of the $800 per month in "monthly spending money." The United States Department of Agriculture estimates that a "moderate cost" grocery bill is $235 per month for a man and $204 per month for a woman. As for clothing, statistics indicate that, across the income spectrum, households spend between 3 and 4 percent of their incomes on clothing. That works out to less than $100 per month. So $800 per month is enough to cover food and clothing costs while leaving plenty of room for other expenses.

Transportation: The budget allocates $150 per month for a car payment. That's enough to borrow around $7,000 — not enough to buy a brand new car, but plenty of money to buy a decent used vehicle. Insurance costs vary a lot by age, location and model of vehicle. One estimate found that a driver in his late 20s would pay at least $649 for six months of car insurance. But that estimate assumed a comprehensive policy with low deductibles. A more frugal plan could come in under the $100 allocated by the budget. Car insurance is extremely expensive for the youngest drivers, so a driver under 24 will struggle to get car insurance for less than $100 per month.

Multiple jobs: Probably the most difficult thing about our hypothetical worker's financial situation is the need to work two jobs. At a minimum wage of $7.25, (and assuming an effective income tax rate of 15 percent), our hypothetical worker would have to work about 75 hours per week. At $10 per hour, it would take about 55 hours of work per week. That's a hard workweek.

But while working two jobs is tough, it's not that uncommon. About 7 million Americans, or about 5 percent of the workforce, do it.

So the figures for heating and health insurance in the original Visa/McDonald's sample budget are hard to defend. But overall, it offers a reasonable picture of how a typical person in the lower half of the income spectrum spends his money.

And the reality is that these low-income Americans have to make the kind of hard choices that critics are deriding as ridiculous. They have to make do with a used car, live in a modest apartment with a roommate, get by with basic cable and a low-end cellular plan, and travel and go out to eat infrequently.

Gawker calls the budget "just-shy-of-condescending," but budgeting is an important skill that isn't obvious to every young adult in America. Offering practical advice on how to live on a modest income is more constructive than ridiculing the choices required to do so.