

The \$5 Million Breakdown of the American Dream

The American Dream Now Costs \$5M

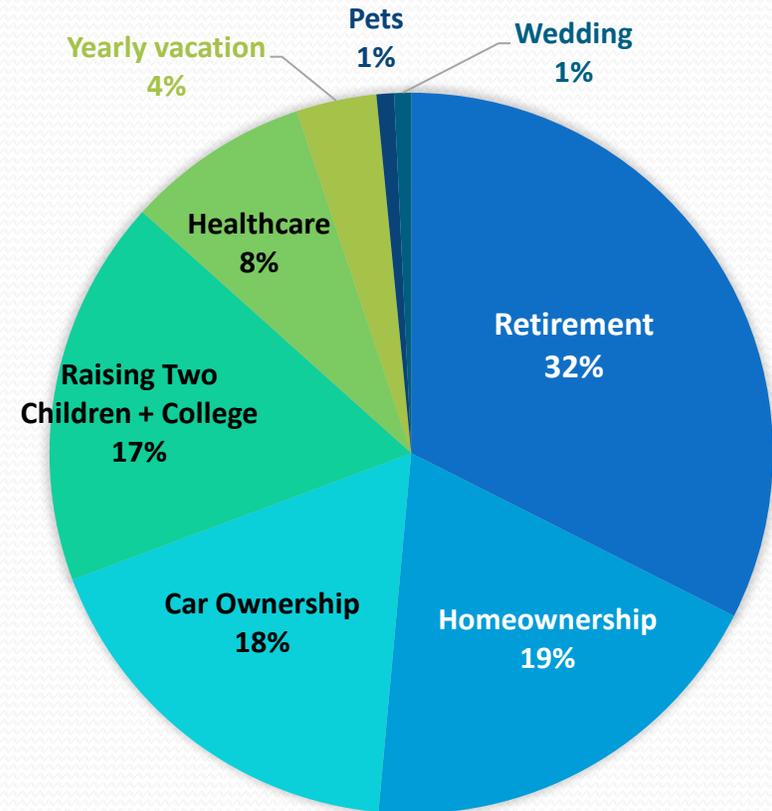
Investopedia's 2025 report found the "American Dream" now costs over \$5 million per household over the course of a lifetime. However, the median lifetime earnings of an individual American with a Bachelor's degree is only \$2.8M

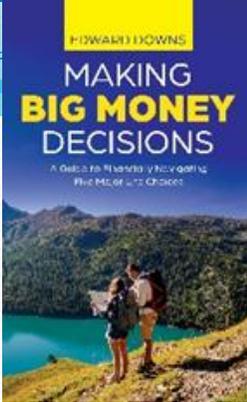


Sources: Economic Policy Institute, Childcare Aware, Bureau of Labor Statistics, National Association of Realtors, Freddie Mac, Tax Foundation, Experian, NerdWallet, Consumer Affairs, The Knot, U.S. Department of Education, National Center for Education Statistics, ASPCA, Allianz Partners



Each person's dream may differ, but Investopedia's latest survey reveals that most people value these eight components.





Making Big Money Decisions to Fund an American Dream

Opportunity Cost = The loss of potential gain from other alternatives when one alternative is chosen.

Invested Opportunity Cost (IOC) = The value that would be created by investing the equivalent opportunity cost.

Decision Made By Jenna and Joe		ARR	6.5%	IOC	What Does it Mean?
[1] Saving for retirement ¹	Saving 25% of income vs. 10%.			\$ 2,557,483	Financial value created by increasing savings rate by 15%, from 10% of income to 25%, over 30 years in tax deferred retirement account.
+ Lower fund fees	Low cost index ETF on \$500k investment.			\$ 544,162	Savings of 1.26% in fees (fund operating expenses) from moving \$500k investment portfolio from actively managed MF to low-cost index ETF.
[2] Buying a vehicle ²	Buying a used car with no loan and lower TCO.			\$ 410,481	Investing over 30 years the financial value created by deciding to purchase of a used car instead of new one with financing, and selecting a car with lower total cost of ownership (over 5 years).
[3] Purchasing a house ³	Buying less expensive house.			\$ 540,310	Investing monthly savings of \$1.8k per month from buying \$450k house instead of \$650k one, over 15 years.
[4] Raising children ⁴	Not raising a third child.			\$ 699,280	Monetary value if cost equivalent of raising third child was invested for 18 years.
+ College	Paying for third child to attend college.			\$ 688,608	Monetary value after 30 years of investing the cost of four years of public in-state college (\$104,108).
[5] Investing in college ⁵	Sending child to in-state public college.			\$ 420,202	Investing for 30 years the \$119,252 saved over four years from attending a public college instead of private.
Total Invested Opportunity Costs >>				\$ 5,860,526	

Note: IOC based on decisions made by a fictional couple (Jenna and Joe) from [Making Big Money Decisions](#). The [worksheets](#) for this book are accessible on [DIYmoneytrack.com](#).