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Buying Power Index - Class of 2014

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How much buying power did starting salaries offer?

The relative buying power of the dollar in any two cities is very important when comparing the nominal dollar amounts of the salaries in those two cities. Those interested in this topic might, for example, ask about the "buying power" of a salary of \$160,000 in Boston compared to a similar nominal salary in San Francisco. The question becomes, "Which location offers the most buying power?" The answer, and the dollars that accompany it, often translates into discretionary income and lifestyle options for new attorneys.

To illustrate purchasing power differentials, cities are ranked on the basis of a Buying Power Index (BPI). The BPI was calculated using New York City's median reported private practice salary for the Class of 2014 and cost of living as the benchmark. New York City's BPI is thus 1.00. BPI's for other cities show how much buying power the median reported law firm salary for the Class of 2014 in that city provides compared with the New York City median. The table below shows the BPI calculated for 78 cities for which at least 15 law firm salaries were reported for the Class of 2014 and for which cost of living information was available. It is evident that the buying power of the median salary in almost two-thirds of the cities listed exceeds that of New York's when relative costs of living are factored in. For example, the median reported law firm salary in Indianapolis, New Orleans, Grand Rapids, Austin, and Salt Lake City is about 60% that of New York's, but nonetheless each offers over 40% more buying power than does the New York salary. As a second example, the buying power of the median reported salary in Raleigh, NC exceeds that of New York's even though the median salary is less than half that of New York.

Additionally, salaries in any two cities with similar salaries but different BPI's can be compared. For example, the difference in purchasing power between \$160,000 in San Francisco and \$160,000 in Los Angeles can be determined. The BPI in San Francisco is 1.289; that in Los Angeles is 1.621. This means that the Los Angeles salary offers 26% more purchasing power than the identical salary in San Francisco $[1.621/1.289] = 1.26$ or 26%. Or, viewed the other way around, the San Francisco salary offered about 80% of the purchasing power of the Los Angeles salary $[1.289/1.621] \times 100 = 80\%$.

Likewise, the BPI can be used to compare any salary in a listed city (not just the median) with that for New York because the salary required to provide the same purchasing power as the \$160,000 New York salary does not change. For example, in Atlanta, that figure is about \$70,000. If the actual salary obtained in Atlanta is \$135,000, it will purchase almost twice as much as the \$160,000 salary in New York $[\$135,000/\$70,000] = 1.93$ or 93%.

**Median Reported Private Practice Salaries in Selected Cities
Ranked by Buying Power of the Salary – Class of 2014**

City	Median Reported Salary 2014	Salary required to Yield New York City Buying Power*	Buying Power Index
Dallas, TX	\$160,000	67,615	2.366
Houston, TX	160,000	69,095	2.316
Wilmington, DE	145,000	74,510	1.946
Charlotte, NC	130,000	67,830	1.917
Richmond, VA	115,000	66,770	1.722
Cincinnati, OH	110,000	63,960	1.720
Chicago, IL	140,000	81,760	1.712
Kansas City, MO	110,000	66,210	1.661
Atlanta, GA	115,000	70,290	1.636
Milwaukee, WI	115,000	70,750	1.625
Los Angeles, CA	160,000	98,715	1.621
Birmingham, AL	102,500	64,520	1.589
Boston, MA	160,000	101,530	1.576
Roseland, NJ	140,000	89,075	1.572
Nashville, TN	105,000	66,985	1.568
Madison, WI	115,000	73,525	1.564
Washington, DC	160,000	103,290	1.549
Costa Mesa, CA	160,000	104,555	1.530
Detroit, MI	100,000	67,055	1.491
Jackson, MS	85,000	58,540	1.452
Minneapolis, MN	110,000	76,130	1.445
Indianapolis, IN	92,500	64,100	1.443
New Orleans, LA	95,000	66,350	1.432
Denver, CO	110,000	77,115	1.426
Grand Rapids, MI	92,500	65,015	1.423
Austin, TX	96,000	67,545	1.421
Salt Lake City, UT	95,500	67,830	1.408
Cleveland, OH	100,250	71,205	1.408
Fairfax-McLean, VA	140,000	103,290	1.355
San Antonio, TX	80,000	61,425	1.302
Redwood City, CA	160,000	124,115	1.289
San Francisco, CA	160,000	124,115	1.289
Philadelphia, PA	107,500	84,080	1.279
Columbus, OH	80,000	63,675	1.256
Newport Beach, CA	130,000	104,555	1.243
St. Louis, MO	80,000	65,085	1.229
Rochester, NY	85,000	69,800	1.218
Omaha, NE	78,000	64,240	1.214

Des Moines, IA	75,000	63,185	1.187
Phoenix, AZ	80,000	67,475	1.186
Tampa, FL	76,000	64,450	1.179
Hartford, CT	102,500	87,530	1.171
Fort Worth, TX	84,000	72,460	1.159
Pittsburgh, PA	80,000	69,375	1.153
Seattle, WA	110,000	98,715	1.114
Raleigh, NC	70,000	63,675	1.099
Baton Rouge, LA	70,000	65,015	1.077
Tulsa, OK	65,000	60,510	1.074
Memphis, TN	60,000	59,455	1.009
New York City	160,000	160,000	1.000
Orlando/Winter Park	67,500	69,095	0.977
Las Vegas, NV	74,000	76,130	0.972
Louisville, KY	62,500	64,870	0.963
Knoxville, TN	60,000	62,900	0.954
Baltimore, MD	75,000	79,370	0.945
San Diego, CA	95,000	101,880	0.932
Columbia, SC	61,000	66,913	0.912
Southfield, MI	60,000	67,055	0.895
Oklahoma City, OK	55,000	61,990	0.887
Miami, FL	70,000	79,015	0.886
Harrisburg, PA	60,000	69,515	0.863
Irvine, CA	90,000	104,555	0.861
Portland, OR	75,000	91,120	0.823
Little Rock, AR	55,000	66,985	0.821
Lexington, KY	51,500	63,605	0.810
Charleston, SC	57,500	71,065	0.809
Buffalo, NY	54,000	67,055	0.805
Alexandria, VA	80,000	103,290	0.775
Coral Gables, FL	60,000	79,015	0.759
Albany, NY	60,000	79,295	0.757
Fort Lauderdale, FL	60,000	80,350	0.747
Santa Monica, CA	72,500	98,715	0.734
Providence, RI	60,000	86,755	0.692
Oakland, CA	70,000	103,430	0.677
Newark, NJ	60,000	89,075	0.674
Jacksonville, FL	45,000	69,655	0.646
Santa Ana, CA	64,000	104,555	0.612
Honolulu, HI	80,000	132,420	0.604

*For ease of presentation, these figures have been rounded to the nearest \$5.

Notes on Resources and Methodology for Calculating the Buying Power Index

The Buying Power Index (BPI) uses as its benchmark New York City's median starting salary and cost of living. Cost of living information was obtained from The Council for Community & Economic Research (C2ER) and its Cost of Living Index for 2015. C2ER is a nonprofit professional organization of research staff of chambers of commerce, economic development organizations, and related organizations. C2ER obtains information through the participation of local Chambers of Commerce. C2ER uses this information to develop a cost of living index relative to a U.S. average of 100. The index measures differences in the costs of goods and services; C2ER does not attempt to incorporate tax differentials into its index. The index is not available for metropolitan areas whose Chamber(s) of Commerce do not participate.

These indices were used to create an adjusted cost of living index for each city, with New York City, rather than the U.S. average, set as 1.00. This adjusted index thus indicates the dollar amount equivalent to a dollar in New York when the cost of living differential is considered. For example, the C2ER Cost of Living index for the Grand Rapids, MI area is 92.4. Comparing this to New York's index of 227.4 means that about \$0.41 is needed in Grand Rapids to obtain purchasing power equal to that of \$1.00 in New York ($92.4/227.4 = 0.406$).

This adjusted index was then used to determine how the New York median private practice salary would have to be scaled to provide comparable purchasing power in each city. Using the Grand Rapids example, the lower cost of living means that a salary of about \$65,000 is equivalent in purchasing power terms to the \$160,000 salary in New York ($\$160,000 \times 0.406 = \$65,013$).

This purchasing power equivalent was then compared to the actual median reported private practice salary in each city to determine a BPI. The closer the BPI is to 1.00, the closer the salary comes to providing purchasing power on a parity with New York City. Continuing with the Grand Rapids example, the BPI of 1.423 means that the salary has about 42% more purchasing power than the New York salary. However, a similar \$95,000 median salary reported for San Diego, CA provides just 93% of the purchasing power of New York's median because the cost of living is higher in San Diego compared with Grand Rapids, though still lower than that of New York. Other cities where the reported median does not provide the purchasing power of the New York salary include Portland, OR and Baltimore, MD. In contrast, the purchasing power in nearly every city with a reported median of at least \$90,000 exceeds that of New York.

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