



Rodney's Take

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Fighting the Baby Bust One Tax Break at a Time

We're not having enough babies.

Before the pandemic, the total fertility rate (TFR) for women of childbearing age, or the number of children each is expected to have over a lifetime, fell from 1.73 in 2018 to 1.71 in 2019. We need the TFR to average 2.1 so that parents are at least replacing themselves, plus a bit for mortality to keep the population steady. In the U.S., we haven't been near that mark since 2007, and we've reached that level for just a few years over the past three decades. Now, it looks like 2020 will be much worse.

Last summer, the Brookings Institute estimated that in 2020, U.S. births would fall by 300,000 to 500,000 births. They have since updated their research and narrowed their forecast to a decline of 300,000 births. It's great that the number is at the low end of the scale, but it still means that U.S. births fell by more than 8% last year, which will drag the TFR lower.

The new relief package might help a bit, but it's temporary and not likely to be enough.

As Kiplinger reports:

"The House-passed bill would temporarily expand the child tax credit for 2021. First, the plan would allow 17-year-old children to qualify. Second, it would increase the credit to \$3,000 per child (\$3,600 per child under age 6) for many families. Third, it would remove the

\$2,500 earnings floor. Fourth, it would make the credit fully refundable. And fifth, it would allow half of the credit to be paid in advance by having the IRS send periodic payments to families from July 2021 to December 2021.”

A family of four with one child under age six and another between the ages of 6 and 17 would receive \$3,300 in a lump sum in addition to their stimulus payment, plus equal monthly installments for the second half of the year totaling another \$3,300. That might sound like pretty good motivation to have a child if a young couple was on the fence, but the benefits expire after 2021.

Money is the number one reason couples cite for not having children, and no wonder. The USDA estimates that the costs of raising a child born in 2015 will be \$233,610, and that doesn't include college. Child care costs average about \$9,200 per year in the U.S., running from a low of \$5,300 to more than \$20,000, more than in-state college tuition in 28 states.

If young couples don't have children, they have more money to spend on themselves and they save the government the cost of education. That's great for a decade or two, but eventually we pay a price. Economies in all developed nations are structured for young workers to pay for retirees through taxes. Without a rising class of workers, we starve our economy of the fuel it needs for innovation and growth.

No one knows what happens next, because historically nations didn't age out of existence, they were conquered. Japan is leading the way down this path; its population has contracted every year for more than a decade. We won't reach that point anytime soon, especially with migration, but eventually, something will have to give. Either we restructure how we pay for our future, or we provide much greater incentives for young couples to have children. Either way, it's going to be expensive.

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Got a question or comment? You can contact us at info@hsdent.com.