



World's Population in Decline

Americans are having fewer babies, and they are not alone. The World Bank, which keeps birth statistics for every country, shows a decline pretty much across the entire world -- some more drastic than others. The worldwide fertility rate is around 2.4 children per woman, roughly half the 1950 level (4.7). The number of births per thousand people in the U.S. has dropped since 1960. To put this into perspective, it would take an average of 2.1 babies per adult woman to maintain the current population, but today's U.S. 'fertility rate' is only 1.7.

Comparatively, every European country has a fertility rate below 2.0 (France is the highest, at 1.9), and some demographers have called Italians 'an endangered species,' with a fertility rate down around 1.3. China's fertility rate is hovering at around 1.7, while Singapore and Hong Kong are among the lowest, at 1.1. There are some exceptions to this trend -- a number of African countries, including Somalia (6.1 children per woman) and Niger (6.9) still have rapidly growing populations.

The question becomes - is this trend beneficial or troubling? It is certainly beneficial because there will be fewer people consuming the planet's resources, and one can easily project lower pollution levels if there are fewer people consuming energy and dropping plastic into the oceans.

However, the declining birthrate could force some to make some potentially complicated adjustments. For one thing, fewer babies now means there will be fewer workers to contribute to the economy in the future. People are also living longer, which means the population balance will shift toward older people. If the ratio of workers to retirees were to shift too far, there would be major changes in consumption. For instance, healthcare would consume a much higher percentage of the total GDP, and services for the elderly would become a major employer of younger workers.

The most basic shift is a decline in total GDP as increases in total production and consumption have historically come from population increases. The U.S., and many other countries, are moving into uncharted territory, and few policymakers seem to be making preparations.

Sources:

- <https://data.worldbank.org/indicator/SP.DYN.CBRT.IN?end=2019&locations=US&start=1960&view=chart>
- <https://worldpopulationreview.com/country-rankings/total-fertility-rate>
- <https://www.capita.org/capita-ideas/2021/5/26/deflecting-americas-birth-rate-asteroid>



The Social Security Choice

If you have at least 10 years of work history, then reaching Social Security age comes with some choices – begin drawing on your Social Security benefit or wait? Should you begin to take those benefits as soon as you reach 62 years? One could invest the income received. Or, should you wait until full retirement age at 67? Alternatively, you could wait longer and start receiving higher benefits at 70. While this debate has settled down more recently, it has been quite a debate in the past.

Now, most advisors recommend waiting, if possible, until at least full retirement age (67) and, even better, holding off until age 70. Why is this the recommendation? One reason not to invest the income is that older calculations assumed the US investment markets would follow historical long-term averages, which is not guaranteed. Instead, what can be counted on is Social Security benefits rising with each and every year that a qualified recipient waits to start taking them.

If you were born after 1943, the “delayed retirement credit” is a significant 8% per year. In other words, each year you wait to collect Social Security means the monthly check will be 8% higher than it would have been before. This is not a guaranteed increase you are going to see from the investment markets.

The [Social Security Administration calculator](#) shows the percentage of your normal retirement age benefits you would receive, depending on what age you start taking those benefits. For a person born in September of 1960 who decides to turn on the Social Security benefits at age 62, the benefits represent 70.4% of the benefit the same person would have received had they started taking benefits at age 67. By waiting until age 70, the same person would receive 124% of the so-called “primary insurance amount.”

Social Security is the one of the only guaranteed source of retirement income that is protected against inflation – protecting a recipients purchasing power. Larger benefit checks become proportionately larger depending on the inflation rate. That is not the case with annuity checks and most pension accounts -- where the amount received will be less valuable with each passing year.

It is important to acknowledge that Social Security’s solvency is still in question. The Social Security Trust Fund has been projected to run out of money in 2033, which wouldn’t mean a total loss of benefits, since working taxpayers would still be paying into the system. In a worst-case scenario, those payment amounts would cover 78% of today’s projected benefits. But it seems unlikely that

Congress would fail to shore up a system that currently delivers benefits to 69.1 million voters.

In fact, the Social Security Enhancement and Protection Act was reintroduced in the U.S. House of Representatives. Among the provisions is a 5% increase in monthly benefits for all beneficiaries who have been retired for 20 years, and bolstering the Trust Fund by phasing out the Social Security payroll tax cap, which currently applies only to wages up to \$142,800. In addition, the payroll tax rate would gradually rise from the current 6.2% to 6.5%.

Sources:

- https://www.ssa.gov/oact/quickcalc/early_late.html
- <https://www.cnbc.com/2021/08/19/bill-in-congress-aims-to-keep-social-security-beneficiaries-out-of-poverty.html>