



Basis Points – August 23, 2022

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Above the Fold

Having a Baby? Get Ready to Shell Out Over \$300,000

Recent data and estimates from the Brookings Institution show that the typical married, middle-income couple will spend \$310,605 to raise a child born in 2015 until they reach age 17, equating to \$18,271 per year. With inflation running at nearly a 40-year high, these estimates are likely to increase in the coming years. According to further details from the Wall Street Journal, the average annual cost of raising a child will balloon to \$25,000 by 2032, and that's assuming a simple inflation adjustment of just 4% annually.

Brookings' data was derived using a myriad of child-care estimates from a 2017 estimate from [The Agriculture Department](#). The model includes everything from haircuts and clothing to diapers, dance lessons and everything in between. The costs become more daunting when you realize that the median household income was \$67,521 in 2020 (latest data), which was actually a decrease of 2.9% from 2019. That means one child alone will reduce a typical family's disposable income by more than 27% (and that's before taxes). The fast-rising costs are just one major contributor for the relatively low birth rate of just 12 births per 1,000 people in the United States. To put that in perspective, the birth rate in 1950, just after WWII, was nearly 25, more than double what it is today.

Three Things

Beef Versus Tomato

There's a bit of a dichotomy occurring in two popular foods. For all you beef lovers out there, you'll be pleased to hear that prices of beef products are finally falling after a year's worth of increases, with the average price of a ribeye steak and beef loin down 10% in this month. That said, popular condiments like ketchup and salsa are likely to see their prices rise as California's ongoing drought endangers the tomato crop. The Golden State alone is responsible for growing 96% of all tomatoes consumed in the U.S.

Mortgage Industry Seeing Spike in Bankruptcies

Before we scare you, it's important to note that currently, there isn't the same systematic risk in the housing market as what we experienced ahead of the Great Recession. That said, there's been a spike in non-bank mortgage companies going broke. Rising rates and a sharp slowdown in businesses are both triggering the shutdowns, which could send hundreds of thousands of employees to the unemployment line. In 2004, roughly 30% of the top 20 lenders for refinancings were non-bank firms. In 2021, that share had leapt to roughly 67%, leaving less market share for each and obviously more revenue risk.

Could Blockchain Revolutionize Finance?

The Wall Street Journal recently reported that some of the largest banks and brokerages are planning to integrate blockchain technology (the technology behind crypto) to modernize their trading systems and track transactions. Blockchain, or distributed ledger technology, is essentially software that uses a shared open-record system (a central ledger) to record and track transactions and trades. Blockchain can be extremely useful, fast, secure and cost-effective — traits that are very attractive to old-hat financial firms, many of which use antiquated or piece-meal trading systems. Some businesses, like Walmart, are already using it to track their supply chains.

In the Know

Robotexting is the New Robocall

You may have noticed a spike in the number of spammy texts you're receiving. Due to new regulations and some good screening work by phone carriers, the number of robocalls has diminished, while the crooks have now turned to texts. Text spam is up 10-fold in the last year to more than 12 billion nefarious texts sent every month. To keep yourself safe, do NOT reply to a number you don't know, especially if the text says "hi" or includes a link of any sort. And if there is a link included with an unknown message, don't ever click on it. Most phones also allow you to screen out unknown numbers, which might be a good feature to enable if you're getting bombarded.

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