



Insights and Observations: Fourth Quarter 2024

According to the Tax Foundation's analysis of IRS data, the U.S. tax system is extremely progressive. The top 1% of income-tax filers provided 40% of the revenue in 2022, while 72% was secured by the top 10% of filers. Here is the breakdown:

- The top 1% includes 1.5 million tax returns with adjusted gross income (AGI) above \$663,000. This group makes 22.4% of total reported earnings, but pays 40.4% of all income taxes.
- The top 1% to 5% includes 6.2 million returns above \$262,000 but below \$663,000. This group makes 15.9% of total reported earnings and contributes 20.6% of all income taxes.
- The top 5% to 10% includes 7.7 million returns above \$179,000 but below \$262,000. This group makes 11.1% of total reported earnings and pays 11% of all income taxes.
- The top 10% and 25% includes 23.1 million returns above \$100,000 but below \$179,000. They make 20.5% of the total income and pay 15.2% of all income taxes.
- The top 25% and 50% includes 38.5 million tax returns above \$50,000 but below \$100,000. They earn 18.6% of income and pay 9.9% of the income-tax burden.
- The bottom 50% make 11.5% of all income, but pay only 3% of all Federal income tax. These figures overstate the actual income-tax burden, because "refundable" credits paid to those with no tax liability aren't reflected in the IRS numbers.

Given the data, it ought to be impossible to pretend that the top 1% is somehow getting a free ride ... but, taxing the rich polls well.

The Editorial Board – WSJ 11/29/24

Overall, the top 25% of earners report 70% of income and cover just over 87% of the tax burden ... not including state and local taxes.



The Census Bureau estimates the U.S. population increased by about 1% to 340.1 million people during the year ended June 30, 2024 ... the fastest growth since 2001. Immigration was responsible for about 2.7 million, or over 80% of the net growth. Immigration accounted for less than half of U.S. population growth over the previous two decades.

Immigrants are having a huge impact on the nation's population growth new federal estimates show ... This was fueled by a surge in legal and illegal arrivals, a falling birthrate and a death rate propped up by an aging population.

Kamp/Overberg/Rust – WSJ 12/19/24

The Census Bureau estimates that the U.S. population increased by 8.5 million over the past four years, with the majority attributed to immigration. Last year, about two-thirds of immigrants were concentrated in 10 states, while 17 states saw more deaths than births.

New York, California, and Illinois actually reversed long-term declining population trends due to foreign immigration. California, for example, lost about 240,000 to other states, but gained about 361,000 immigrants last year.



Greece has one of the lowest fertility rates in Europe. In 2023, the country recorded 71,400 births, down 6% from 2022 and the lowest number in almost a century. Currently, Greece reports only one birth for every two deaths.

That decline is most visible through the emergence of scores of ghost towns and villages – locations with none or virtually nil inhabitants, deserted as local populations leave or die out. Recent estimates put the figure of entirely abandoned towns and villages close to 200.

Karen Gilchrist – CNBC 12/11/24



China is expected to have less than 8 million births in 2024. That would be half the number in 2015, the last year of the “one-child policy”. Many cities, once great, are now rapidly aging.

Currently, China’s fertility rate is around one birth per woman ... well below the 2.1 needed to maintain population stability. By 2035, 30% of the population is expected to be 60 years of age or older.

In China’s rapidly aging cities, young people flee and few babies are born. Once vibrating with energy, Fushun (China) is a city slowly going to sleep. This rust-belt hub helped fuel China’s economic rise. Now, it offers a view of China’s future – in which eroding growth collides with a ballooning elderly population and a shortfall of babies. In another decade, all of China will look more like this.

Kubota/Qi – WSJ 12/9/24



Over 92% of Americans are covered by health insurance. About half are covered by their employer, over 65 million are on Medicare, and almost 92 million are covered by Medicaid.

According to the Centers for Medicare and Medicaid Services, total U.S. healthcare spending in 2023 reached \$4.867 trillion, an increase of 7.5% from the previous year. That comes to about \$14,570 on a per capita basis.

Over the past couple of decades, the price index for medical care has risen roughly 40% faster than the overall pace of inflation. Healthcare costs tend to rise more quickly than overall inflation because of high labor costs in the sector, as well as advancements leading to new and more expensive drugs and treatments. Demand for healthcare is also increasing as the population ages.

Harriet Torry – WSJ 12/18/24

Consumer spending on healthcare is up nearly 20% over the past five years, according to the Labor Department. Americans typically spend about 8% of their household budget on healthcare, the largest expense being health insurance. Employers are picking up a good portion of the costs, with the average worker spending just over \$6,000 in premiums for family coverage, while employers are spending just over \$19,000.

It's ultimately all of us who pay for healthcare either in the form of lower wages for people who have employer insurance or in the form of higher taxes to cover Medicare and Medicaid.

Katherine Baicker, University of Chicago – WSJ 12/18/24



According to the International Monetary Fund, global home prices are now less affordable than they were during the 2008 housing crisis.

The housing affordability crisis that has frustrated young Americans for a decade has now taken hold in many big cities in Europe and beyond. The common threads: robust job growth, rising demand and not enough new development, causing rents and sales prices to rise faster than wages.

Josh Mitchell – WSJ 12/16/24

Ireland now has the most expensive housing in the European Union. The average rent in Dublin has doubled over the past decade, and the median home price is up 75% according to government data.

In fact, according to a recent report commissioned by the Irish government, 59% of Irish adults ages 20 to 34 were living at home with their parents in 2022. That is up from 38% a decade earlier.



Many adult children, ages 18 to 35 and previously living independently, have returned home to live. Their motivations are generally attributed to the high cost of housing and student debt. According to a recent survey by Thrivent, 46% of parents have had these “Boomerang Kids” return home at some point ... up from 35% in last year’s survey.

As a result, many parents are deprioritizing their own financial needs and more than a third are finding it harder to save for long-term goals like retirement.

Nick Cecere, Thrivent – WSJ 12/3/24

Thrivent's latest survey also found that 38% of parents are struggling with debt, while 37% are having difficulty saving for long-term goals like retirement and housing. Those stats are up from 23% and 16% last year, respectively.



According to International Exchange, about one-third of the average single-family mortgage payment went to property taxes and home insurance ... the highest rate ever for data going back to 2014. In certain major metro areas, some borrowers are spending more than half their monthly mortgage payment on taxes and insurance.

These ballooning expenses are rewriting the math of homeownership. Insurers have pushed big rate increases because of losses from natural disasters and rising cost to repair homes. Surging home values in recent years, meanwhile, have lifted property taxes for many homeowners.

Nicole Friedman – WSJ 12/23/24



According to data from the Organization for Economic Cooperation and Development, Americans do not score all that well on internationally administered tests. In fact, 34% of Americans actually score at the lowest levels, while only 12% score at the highest levels. So, for every high scorer, the U.S. has three low scorers.

Germany is close to one to one, as they have 18% high scorers and 20% low scorers. Put another way, Germany's ratio of high to low scorers is almost three times America's. Japan's is seven times that of America.

You would assume such a differential would have enormous economic implications, but the U.S. continues to blow away their foreign competitors. For example, Europe has created 14 companies worth more than \$10 billion in the past 50 years, with a market value of about \$400 billion. The U.S. has produced nearly 250 such enterprises worth a total value of \$30 trillion.

Why is the U.S. economy trouncing Europe's? Americans do worse in education scores, but the Continent lacks the U.S. risk taking culture.

The outsize success of America's talented entrepreneurs doesn't stem from their superior intelligence. It comes from working at companies such as Google and Microsoft, which mine the technological frontier and expose employees to valuable knowledge insights and opportunities.

Unlike Europe, the enormous success of American entrepreneurs motivated an army of talented Americans to get valuable on-the-job training, work longer hours, take risks and succeed. A small amount of success bubbles up from a large pool of failure.

Edward Conard, American Enterprise Institute – WSJ 12/16/24

Apple, for example, is worth more than Germany's largest 30 companies combined. In addition, the median disposable income for U.S. households is 25% greater than the median German household.



The latest research report from Cerulli Associates found 53% of investors agreed that having a written financial plan is important. Also, while many financial advisors told Cerulli they considered themselves to be “comprehensive financial planners”, Cerulli found most were not delivering that level of service.

According to Cerulli’s report:

- About 7% of advisors are essentially money managers.
- The majority of advisors (57%) were categorized as “*case-based planners*” ... still emphasizing asset management, but making some attempt at actual financial planning.
- The next group (26%) were categorized as “comprehensive financial planners”, offering an extensive analysis of goals, assets, and liabilities.
- The final group (10%) were categorized as “private wealth managers”, adding such services as charitable giving, as well as complex trust and estate planning.

Among the most striking elements of the report are the big differences between the perceived type of practice that advisors say they are running compared with an objective analysis of their practice type conducted by the researchers.

John Manganaro – Think Advisor 10/23/24

We believe everyone needs a financial plan. That plan should be based on *tax-affected cash flows*, and be fully integrated with longer-term income and estate tax strategies. *Yes, Corrigan Financial is definitely positioned in that final (10%) category!*

Planning should always be the first step ... only then can you address investment policy and related strategies.

Daniel G. Corrigan, CPA/PFS, CFP®