

## KNOWING THE TRUE COST

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Shortly before Christmas, the 2020 federal budget bill passed with strong bipartisan majorities and was signed into law by President Trump. As it came amid the holiday season, a possible government shutdown, and an impeachment vote in the House of Representatives, it was easy to overlook that the more than \$4.6 trillion budget came with the typical additions to federal spending we have seen over the years.

According to Roll Call, the budget included:

- Funding for the establishment of the U. S. Space Force as a new military branch.
- Twelve weeks of paid parental leave for federal workers.
- "...as well as a collection of tax breaks, health care legislation, and more," according to Roll Call.

While the budget bill was hailed as a sign that some things can get done in Washington, D.C., less celebrated was the built-in budget deficit. According to a January 30th article in the Washington Post, the non-partisan Congressional Budget Office said the deficit would top \$1 trillion and "this year would mark the first time since 2012 that the deficit breached \$1 trillion, a threshold that has alarmed some budget experts because deficits typically contract – not expand – during periods of sustained economic growth."

Politicians can and should debate the merits of new programs such as the U.S. Space Force or paid parental leave. What they rarely do seriously is debate not only the initial cost but the long-term cost. For example, The Air Force estimates the Space Force will cost \$13 billion over the next five years. The CBO estimates an \$8.1 billion cost for paid parental leave over the next decade.

Looking at these additions alone, they are not budget breakers. In fact, they barely rate fiscal notice. But all these programs add up.

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As the late Republican Senate leader Everett M. Dirksen allegedly said, “a billion here, a billion there, and it starts adding up to real money”. For example, the Washington Post article cited above reminds us that “with rising annual deficits, the total debt held by the government is also projected to grow dramatically, from about \$18 trillion in 2020 to \$31 trillion in 2030, according to the CBO's projections. The U.S. government must pay interest on this debt to keep borrowing money.”

In one familiar way, the federal government is not unlike us mere mortals in not estimating true cost. Easy credit has all too often replaced the discipline of saving that defined the Great Depression generation. For example, credit card, mortgage, and student loan debts pile up and we don't realize the full price of interest until the bills come due.

Much of what we do is to help educate our clients on understanding their own very human behavior. When familial and material emotions become involved, sound financial decisions are much harder. For example, a strong majority of Americans are concerned about climate change yet in 2019, U. S. sales of more expensive, low gas mileage vehicles (trucks and SUVs) were up 2.9 percent while sales of passenger vehicles were down 10.1 percent.

Also:

- When we fall in love with our home and property at (hypothetically) the cost of \$35,000 in property taxes, are we making a sound or emotional choice?
- It was easy for state legislatures to reward public sector workers with pensions and then kick the payment can down the road. Some pensions are more generous than others but the bottom line is, according to U.S. Pension Tracker, is that between \$1.5 trillion and \$5.2 trillion of pension debt is already in place – due to unwise investment strategies, inadequate returns and risky actuary bets. More bottom line: the pension debt will cost each American household between \$12,754 and \$43,113. Remember the public workers likely have a union, a contract and often a pension. Who represents the taxpayer?
- This same ‘pay later’ philosophy could imperil social safety net programs such as Social Security, Medicare, and Medicaid.
- We might also question the wisdom of politically sidelining necessary local, state and national infrastructure repair and renewal in part due to major state and federal tax cuts. How much will this choice cost the country's GDP in the long run? Investing in the future isn't easy; not investing in the future can be catastrophic.

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And today, with little doubt, the true economic impact and cost of a new virus strain is only beginning to be understood. As a complex species and global economy, many of us have trouble seeing change until it hits us square in the face. History tells us the chronic shortsightedness of individuals and institutions rarely pays off.

Does anything you've read trigger a question? Send us an [email](#).

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