



AMERICAN
COMPASS

A Monthly Family Benefit

HELP WORKING FAMILIES WITH THE COSTS
OF RAISING CHILDREN

WHAT'S THE PROBLEM?

Parents often raise kids earlier in adulthood when they're **less financially prepared for rising expenses and lost income.**



It is increasingly difficult to raise children on a working-class income.

Cutting taxes can only provide **limited benefit** to lower-income working families, who don't have much tax liability to begin with.



FAMILIES ARE GETTING SQUEEZED FROM ALL SIDES

Parents face three interrelated financial challenges.

First, the arrival of children imposes dual pressures on most family budgets by introducing heavy demands on parents' time as well as a range of new expenses.

Second, most parents are early in their working years, earning less than they might later, and have had little chance to save.

Third, incomes for typical American workers have not kept pace with rising costs, making it much harder to raise a family on a single income.

Half of Americans say they have fewer children than they want, and financial constraints are the most commonly reported obstacle.

WHAT'S THE SOLUTION?

A form of social insurance, the Family Income Supplemental Credit (Fisc), would help working families with the costs of raising children. Later in life, those able will help support the next generation of families. The Fisc:

1

Creates a monthly per-child benefit:

\$800/month: 5th month of pregnancy – birth

\$400/month: birth – 6 years old

\$250/month: 6 – 18 years old

+ **Increases by 20% for married couples**

2

Caps a household's total benefit at the income earned in the prior year

3

Declines by \$100 for every \$1,000 of income above \$100,000 and \$200,000 for single and joint filers, respectively

4

Is funded by replacing the Child Tax Credit and Child & Dependent Care Tax Credit, eliminating head-of-household filing status, and raising marginal income tax rates on joint filers above \$165,000

HELPING FAMILIES WORKING TO HELP THEMSELVES

Capping eligibility at the household's prior-year income achieves two important goals. **First**, the Fisc is a social insurance program for families working to support themselves. Households disconnected entirely from the labor market will have the safety net's support, but not a monthly cash payment. **Second**, the full benefit reaches low-income households. A part-time, minimum-wage worker would typically retain full eligibility. Looking to the prior year's income avoids the pitfalls of tax credits and work requirements.



FREQUENTLY RAISED OBJECTIONS

“IT’S NOT A FUNCTION OF GOVERNMENT TO REDISTRIBUTE WEALTH TO FAMILIES”

America already has social insurance programs, such as Social Security, through which all workers support the subset who need more resources at a particular point in time. These programs are effective and widely popular.

“CASH BENEFITS DISCOURAGE WORK”

Not this one. It is tied directly to work, and phases in sharply with income. The design of this benefit offers an extremely strong incentive for American households to maintain a connection to the labor market.

“THE BENEFIT IS TOO EXPENSIVE”

Most of the Fisc’s cost is covered by replacing less effective family policies. Over time, the additional cost will be paid largely by taxpayers who themselves benefited from the program earlier in life.

“TARGETED PROGRAMS LIKE PAID LEAVE AND CHILDCARE ARE PREFERABLE TO A CASH HANDOUT”

Targeted programs dictate what is best for individual families, for instance helping only those that want to have both parents working full-time. Only a cash benefit provides support to families with a stay-at-home parent.



“ If ever there were a case for a program of social insurance... this is it. ”

FURTHER READING

Oren Cass & Wells King. “The Family Income Supplemental Credit.” *American Compass*, 2021.

An in-depth whitepaper making the case for the Fisc.

“Americans Support a Generous Child Benefit Tied to Work.” *American Compass*, 2021.

A survey on support for family benefits.

Sen. Mitt Romney, Sen. Richard Burr, & Sen. Steve Daines. “The Family Security Act 2.0.” *United States Senate*, 2022.

A bill that utilizes a framework very similar to the Fisc.

Patrick T. Brown. “Romney Revamps His Family Security Act.” *Ethics & Public Policy Center*, 2022.

An analysis of the Family Security Act 2.0 and its importance to a conservative pro-family agenda.

KEY FACTS

67%

Share of parenting-age Americans who say the government should provide more support to families¹

51%

Share of those who describe themselves as “very conservative” who say the government should provide more support to families²

50%

Share of parenting-age Americans who have had fewer kids than they wanted³

30

Weeks of a typical worker’s earnings needed to cover a family’s major expenses in 1985⁴

vs.

53

Weeks needed in 2018⁵

60%

Share of Americans who believe a family benefit should be limited to working families⁶

ABOUT AMERICAN COMPASS

Our mission is to restore an economic consensus that emphasizes the importance of family, community, and industry to the nation’s liberty and prosperity. American Compass is a 501(c)(3) non-profit organization.

For more information, visit americancompass.org

¹ “Home Building Survey Part I: State of the American Family.” *American Compass*, 2021.

² “Home Building Survey Part II: Supporting Families.” *American Compass*, 2021.

³ *Ibid.*

⁴ Oren Cass. “The Cost-of-Thriving Index: Reevaluating the Prosperity of the American Family.” *Manhattan Institute*, 2020.

⁵ *Ibid.*

⁶ “Americans Support a Generous Child Benefit Tied to Work.” *American Compass*, 2021.