At RIA ? through the blog and in meetings with clients and readers who require objective investment and planning guidance, our team has been clear about our view along with the analysis to back it up: Investors are going to experience future real portfolio returns which will rival the lowest experienced since 1966-1982.•

It?s not that the market as represented by the S&P performed badly through through that cycle; inflation was the household wealth nemesis which dramatically eroded real or inflation-adjusted returns. Back then, households in general were in healthy fiscal shape I believe, due to several reasons ? *Personal savings rates* ? think a consistent 10-14% of household incomes saved every year, *strong wage growth* which I surmise was due primarily to the proliferation of unions, including public sector unions. Heck, I lived through the experience in the 1970s as I watched my grandparents - both janitors for Brooklyn, New York public schools, own a home, new car every few years, and save for retirement ? ***all at the same time!***

In addition, the wide-scale shift to globalization didn?t accelerate until the 1980s which meant private-sector workers were able to command attractive wages. Last, *personal fiscal responsibility was prevalent*•as the depression-era mindset impacted permanently a generation to save, abhor big debt and live below or• well within their means.

It was indeed a frustrating time to be invested in variable assets - crippling inflation, bonds performing poorly and real returns on stocks at or close to zero. The cycle went on for so long that in August 1979, BusinessWeek Magazine declared the ?death of equities.?• At the beginning of 1982, the price/earnings of the S&P 500 was 7.73. The lowest since 1918.

Over the last decade, it?s been a fun ride for stock and bond investors. Complacency has ruled. Markets have moved higher with infrequent periods of correction.

Change is coming.

I believe we?re due for another cycle of stock market stagnation due to a *Great Financial Suppression* which began after the financial crisis and continues today. Since the Great Recession, global GDP has remained below 3% a year for most of the period.•

The Great Financial Suppression comes in the form of: **1.** lower household incomes due to returning wage stagnation and eventually, higher taxes, **2.** suppression of risk asset returns due to overwhelming government debt coupled with irresponsible central bank monetary policy manipulation, **3.** stretched market valuations, **4.** younger generations such as Gen X and Z who favor smaller households (less or no children), small homes and less material wealth. In other words, it'll be a global economy - just not so grand.

Wait, Rich - Hasn't wage growth improved? In the short term, yes. However, unless global economies structurally reform, don?t expect the party to last. Negative and sustained low interest rates are a sign of structural problems that cannot be rectified through monetary policy; global central banks for some reason, have been given the responsibility to employ blunt instruments as the sole method to fix broken economic engines.•

Per a recent analysis by Daniel Aaronson, vice president and director of microeconomic research, Luojia Hu, senior economist and research advisor, and Aastha Rajan, research assistant at the Federal Reserve Bank of Chicago:

?Real wage growth has come in low during this expansion, relative to historic relationships between labor market conditions and real wage growth. That pattern holds for women in nearly every age-education group, with particularly large gaps among college-educated women. For men, there is a striking dichotomy by education. Like college-educated women, college-educated men have experienced wage growth well below what we would have expected given pre-2008

relationships; this is especially true for college-educated men aged 45?69. "

If• you're retired or looking to be within 3-5 years, there are going to be equally bigger concerns to face in addition to anemic portfolio returns.

Continued erosion of cost-of-living adjustments for America's pension ? Social Security.

Based on CPI-W so far, (September?s inflation numbers obviously still pending), the Social Security cost-of-living adjustment for next year will likely be half or less than it is today. We may be talking a paltry 1.6% in 2020. To put it in perspective, Social Security retirement benefits average roughly $1,400 a month; the estimated COLA would add $22.40 a month. The monthly Medicare Part B base premium is estimated to increase by $8.80 to $144.30 next year. Social Security recipients who have Medicare Part B premiums subtracted from their payments would net a whopping $13.60 a month.

Medigap and health-care cost inflation twice the national average or greater.

HealthView Services is a company that provides healthcare projection analysis and tools to the financial services industry. The organization draws upon a database of 530 million medical cases, longevity and government statistics to create their projections. They estimate that the total lifetime healthcare costs (which include premiums for Medicare, supplemental insurance, prescription drug coverage,) for a healthy 65-year-old couple retiring this year are projected to be $387,644 in today?s dollars assuming the Mr. lives 22 years and Mrs. - 24. Health-care inflation is averaging roughly 4.4% a year; we use a 4.5% inflation rate in our planning at RIA. Medigap or supplemental insurance coverage which is offered by private insurance companies has increased consistently by more than 6% a year, according to The Senior Citizens League.

Where do you believe tax rates are headed in the future?•

Income taxes will place growing pressure on portfolio depletion ? unless you believe income tax rates are headed lower. *Please let me know if you believe tax rates are going to be lower in the future. I?d love to hear the rationale.* The financial services industry has done an outstanding job brainwashing a nation of investors to direct every long-term investment dollar into pre-tax accounts. Tax-deferred compounding and the search for methods to cut taxes *today* may have serious repercussions on the quality of life *tomorrow* when you're retired and no longer at career earnings machine.

Oh, I know. You?ve been told that your tax rate will drop in retirement. Another blanket myth the industry irresponsibly spouts; who is going to pay the price for it?

You are.

Granted, for some retirees, taxes will fall. However, our planners witness firsthand, the long-term financial damage of sheltering every retirement dollar in pre-tax accounts and the negative impact of ordinary income taxes on distributions.

Nobody knows for certain where tax rates are going; although I?ll make a solid guess (again), that future rates must move higher due to fixes required to entitlements such as Medicare along with other rising costs of an aging population. When the taxation of Social Security retirement benefits is considered, there?s a high probability that the ordinary income tax distributions from pre-tax accounts are going to generate an additional tax burden that rarely gets considered.

A married couple filing jointly with provisional income (a convoluted mix of ordinary income, tax-exempt income & • Social Security benefits), within the threshold amounts $32,000-$44,000, must add to gross income the lesser of 50% of Social Security benefits or the amount by which provisional income exceeds the threshold amount. Provisional income over $44,000 raises the percentage to 85%. Retirees must pay attention to the marginal tax rate danger zone where Social Security benefits are not fully taxed at 85% yet provisional income is high enough to trigger additional tax.

A marginal tax rate danger zone is the point where• *each additional income dollar has the potential to be taxed at $1.50 or $1.85.*•For example, if married filing jointly, the 12% marginal tax bracket threshold is $78,950. However, depending on Social Security income received, (the average benefit is $33,456), a retiree can experience a tax rate as high as 22% on each additional dollar above Social Security provisional thresholds.

Per CFP Elaine Floyd?s tremendous work examining this insidious bracket creep, $30,000 in annual social security income along with $17,000-$59,000 in modified adjusted gross income (not counting Social Security), can cause your marginal income tax rate to increase to as much as 22%. Roth accounts being 100% tax free on withdrawals, do not get added to the provisional income equation (even though tax-exempt or municipal bond income does!).

A retiree may delay the receipt of Social Security benefits until age 70. This decision will lead to greater lifetime income due to the delayed 8% annual retirement credits which accrue every month from FRA or full retirement age until age 70. Concurrently, a recipient can reduce a future tax burden on benefits by drawing down an IRA or 401(k) account to fund retirement living expenses.

Currently, we plan for most clients to initiate annual surgical Roth conversions along with coordination of distributions for living expenses to accelerate the reduction of IRA or 401(k) balances prior to mandatory distributions at age 70 •. It?s important that your financial partner and tax advisor work together to ensure that the upper limits of your personal tax rate aren?t exceeded.•

For example, if you and your spouse require $4,000 a month to meet living expenses, even with taxes withheld there?s still ?bandwidth? in the 12% bracket to complete a surgical Roth conversion. You want to make sure you have enough cash outside your IRA to pay taxes on conversion dollars.•

If you follow a 'Pay Yourself First,' strategy, in almost every case a Roth is a better choice. I?m not concerned about your current tax bracket; I?m worried about your possible tax implications in retirement.

I care about how you?re going to gain more consumption dollars in retirement and the impact of taxation on Social Security benefits. John Beshears a behavioral economist and assistant professor of business administration at Harvard Business School in a study ?•?Does Front-Loading Taxation Increase Savings?: Evidence from Roth 401k Introductions,?•along with co-authors, outlines that plan participants who place their retirement savings on auto-pilot and direct a percentage of gross income, say 10%, into a Roth vs. a traditional pre-tax 401k, will wind up with more dollars to spend in retirement.

•It?s rare when a financial rule-of-thumb like 'pay yourself first,' is a truly a benefit. And you don?t need to do much to receive it! The reason the strategy works is front loading of taxes. In other words, sacrificing tax savings today (when working and paying the taxes isn?t as much of a burden as it would be in retirement when earning power drops dramatically), and failing to adjust the percentage of auto-pilot savings to compensate for the current tax impact of switching from pre-tax to Roth, allows for greater future consumption dollars.•

From Lauren Lyons Cole Business Insider article on the study:

?If a worker saves $5,000 a year in a 401(k) for 40 years and earns 5% return a year, the final balance will be more than $600,000. If the 401(k) is a Roth, the full balance is available for retirement spending. If the 401(k) is a traditional one, taxes are due on the balance. Let?s say the person?s tax rate is 20% in retirement. That makes for a difference of $120,000 in spending power, which a life annuity will translate into about $700 a month in extra spending.? John Beshears.

Taxes are an important component of net investment return - Taxes, fees, along with disappointing future portfolio returns are going to force retirees to closely re-examine their lifestyles and initiate big changes whether they want to or not.

Pre-retirees must prepare to work longer, save more and consider a dramatic reinvention of their retirement lifestyles.

Start now to prepare for reality.

If you need a roadmap, we're here to assist.