Former Federal Reserve Chairman Ben Bernanke is not happy with the recent corporate tax cuts and increased government spending … otherwise referred to as fiscal stimulus.

> **What you're getting is stimulus at the very wrong moment. It's going to hit the economy in a big way this year and next. And then in 2020, Wile E. Coyote is going to go off the cliff and look down.**
>
> **Ben Bernanke - CNN Money 6/10/18**

Let's hope that the economy does not resemble a *Road Runner* cartoon anytime soon. Remember in early 2007 when Chairman Bernanke declared that the subprime mortgage crisis *would likely be contained*? The Great Recession began approximately nine months after that famous quote.

China's Shanghai stock index is down 20% from recent highs, as economic growth softens and trade tensions escalate. Regulators are also attempting to rein in China's massive shadow banking system, along with related concerns regarding the proliferation of wealth-management products. On top of that, China's currency (yuan) is on the decline.

There is another big potential problem. According to the China Securities Depository and Clearing Corporation, major shareholders of listed companies have pledged more than $800 billion worth of stocks in return for loans.

Any sudden sharp drop in the stock market from here could trigger margin calls, which could snowball into more stock selling. Beijing is now in a delicate position … beneath the calm surface, policy makers are paddling ever harder.

Jacky Wong - WSJ 6/22/18

Most of us remember that stock markets were down sharply in 2008, and the market rebound started in March of 2009. The average mutual fund returned approximately minus 4.5% during the two-year period ending 2009. The average investor return was closer to minus 17.5% over this period, resulting in a *return gap* of 13 percentage points. (In other words, many investors sold at or near the bottom and were late in catching the rebound.) For the past 10 years, research suggests that investors in value and growth stock funds have had an annualized return gap of approximately two full percentage points.

Most investors think of themselves as rational and immune from the behavioral elements that periodically roil markets. Human factors, however, do continue to affect our personal portfolio decisions - usually to the detriment of our long-run returns.

Derek Horstmeyer, George Mason University - WSJ 5/6/18

The Society of Actuaries (SOA) estimates that 115 multiemployer pension plans covering about 1.4 million participants will likely be insolvent within the next 20 years. The plans have a total estimated unfunded liability of over $107 billion. The SOA expects 21 plans to be insolvent by as early as 2023. Two-thirds of the pension benefits are estimated to be guaranteed by the Pension Benefit Guarantee Corporation (PBGC).

An unprecedented level of multiemployer pension funds have reported to be facing insolvency within 20 years, and some much sooner than that.

W. Thomas Reeder, Jr., PBGC Director - Pensions & Investments 5/17/18

What's the downside of an aging bull market in stocks and 35-year bull market in bonds? Low interest rates and high stock market valuations both point to much lower expected returns going forward, and that can spell trouble for retirees.

We are in unchartered waters.

Wade Pfau, McLean Asset Management - Barron's 6/2/18

The two most important factors are your mix of assets and how you plan to tap those assets. Your asset mix will generally include cash, stocks and bonds, as well as home equity, pensions, and social security. Still, for people used to accumulating wealth, pulling money from an investment portfolio can be stressful.

Trying to tap a lifetime's worth of savings - enough to enjoy retirement but not so much that you imperil your later years - has never been easy, but it's about to get a whole lot harder.

Reshma Kapadia - Barron's 6/2/18

Everyone likes a simple rule of thumb, and many recognize the 4% rule to be a good place to start. This rule states you can draw 4% of your assets in the first year of retirement … taking the same amount annually, adjusted for inflation, going forward. While this withdrawal rate works when tested against historical market behavior, the future offers no such guarantees.

It's the worst time to retire since just before the dot-com bubble burst.

David Blanchett, Morningstar - Barron's 6/2/18

Everyone's situation is different, and a customized plan always makes the most sense. Financial planning is by definition a process. So, your plan needs to be monitored continuously and updated at least on an annual basis.

People are living longer and some are retiring at a relatively young age. Expect lower investment returns based on today's valuations and recognize that the proper distribution rate during retirement can range anywhere from 2% to 6% … depending on your personal circumstances.

According to a Wall Street Journal analysis, supported by data from the Boston College Center for Retirement Research and the U.S. Census, 40% of households headed by people aged 55 through 70 lack sufficient resources to maintain their living standard in retirement.

> **Americans are reaching retirement age in worse financial shape than the prior generation, for the first time since Harry Truman was president. They have high average debt, are often paying off children's educations and are dipping into savings to care for aging parents. Their paltry 401(k) retirement funds will bring in a median income of under $8,000 a year for a household of two.**
>
> **Gillers, Tergesen, Scism – WSJ 6/22/18**

Just how did all this happen? Consider the following:

- Low interest rates enabled *aging baby boomers* to increase debt to cover rising home, health-care, and college costs.
- Gains in life expectancy, combined with rising education costs, have left boomers supporting adult children and older parents.
- Since 1999, the average worker contributions to health-insurance premiums have risen 281% during a period of 47% inflation.
- Baby boomers were the first generation of Americans who were encouraged to manage their own retirement savings with 401(k)-type plans. Do-it-yourself mismanagement, along with the market declines of 2000 and 2008 impaired account balances.
- Americans between the ages of 60 to 69 had about $2 trillion of total debt in 2017, an 11% increase per capita from 2004. Student loan debt having grown six-fold over this period.
- The median household 401(k) balance (for ages 55 through 64) was $135,000 as of 2016 … enough to fund only a $600 per month annuity income for life.
- Some public-sector workers are living with uncertainty due to underfunded pensions.
- More money is coming out of Social Security checks to cover Medicare premiums and other costs not covered by the federal program.

Aging demographics will only make things worse, as fewer young workers will be supporting an aging population. Many baby boomers will be forced to continue working, rely on help from their children, or hope for additional public assistance.

This generation was left on their own.

Alice Munnell, BC Center for Retirement Research - WSJ 6/22/18

According to the Bank for International Settlements, total nonfinancial private and public debt amounts to 245% of global gross domestic product (GDP), up from 210% before the financial crisis.

The world has endured enough economic crises to know that high debts create serious risks … the relentless rise of debt remains among the most serious problems burdening the global economy … governments continue to treat debt as a boon for long-term growth, rather than what it is: a heavy burden and source of massive long-term risks.

Michael Heise - Barron's 5/19/18

U.S. government debt should reach 108% of GDP sometime this year. Eurozone public debt is estimated at around 85% of GDP, while Japan's debt to GDP ratio at 240% is difficult to even comprehend.

The Federal Reserve Bank of New York reported that household debt rose 3.8% in the first quarter (from a year earlier) to a record $13.2 trillion. Average hourly earnings in the U.S. rose at a 2.25% annual pace during that same period. According to the Liscio Report, consumers have been basically spending every penny they've been earning and adding debt.

Nine years into the second-longest expansion in modern history, people are stretching to maintain modest improvements in their standards of living.

Liscio Report, Randall W. Forsyth - Barron's 5/18/18

Almost 30% of Italians between the ages of 20 to 34 are not working, studying or in any sort of training according to Eurostat. The employment rate of Italians under 40 fell every year from 2007 to 2014 and has been flat for the past three years. The number of Italians under 34 in absolute poverty (defined as being unable to afford basic goods and services), more than doubled between 2010 and 2016 to 10%, according to the Italian National Institute of Statistics. About 50% of Italians age 25 to 34 live with their parents, and more than a third of Italians in their 30s get economic help from their parents or grandparents.

A youth revolt is upending Italian politics, and it could be a harbinger of things to come. Young Italians, who bore the brunt of the country's protracted, triple-dip recession, still bear the scars that will affect their career prospects, homeownership and birth rates for decades to come.

Eric Sylvers - WSJ 6/17/18

The trustees of the Social Security system just came out with their latest report. Since 2010, spending on benefits has exceeded payroll taxes paid into the system. Initially, the deficit was smaller than the interest earned on the $3 trillion of U.S. government bonds held by the Social Security trust fund. Starting this year, the deficit will exceed payroll taxes and interest earned. Eventually, in the early 2030s, the trust fund will be empty.

> **The bonds held in the trust fund are an accounting gimmick to reconcile the reality that the government is a consolidated entity with the fiction that Social Security is independently funded.**
>
> **Matthew C. Klein - Barron's 6/6/18**

Benefit payments, estimated at 4.9% of GDP for 2018, are expected to grow to 6.1% of GDP by 2038 and remain at or around that level through the end of the century. This implies that the projected annual shortfall would measure about 1.5% of GDP. Currently 1.5% of GDP represents just over $300 billion. While that is a considerable budget shortfall, relatively modest "tweaks" could materially reduce (or even eliminate) this projected annual funding gap.