



ACCUMULATION · THE ACTUAL NET RETURN

THE ACTUAL NET RETURN

An Executive Brief on What the Market Really Delivers — and What a Complete Plan Requires

For Anyone Building Wealth Today or Approaching Retirement

A condensed analysis drawn from one hundred years of historical market data (1926–2025)

*Accumulation series · **The Actual Net Return** · the Executive Brief — about a 20-minute read, one of four layers.*

Built from “The Actual Net Return: A Rigorous Analysis,” the companion whitepaper. Every figure in this brief is a direct output of the Forte Life Cash Flow Calculator run on that data, or a statistic measured directly from it.



THE SUMMARY

TWO NUMBERS

SAME MARKET · SAME TWENTY-FIVE YEARS

WHAT THE MARKET AVERAGED

10.32%*the S&P 500, 2001–2025*

WHAT THE INVESTOR KEPT

4.93%*\$332,750 on a \$100,000 account*

10.32% is what the S&P 500 averaged across the last twenty-five years — 2001 through 2025 — the quarter-century most of today's savers have been investing through.

4.93% is what a real investor kept of it: on a \$100,000 account, \$332,750 after twenty-five years, once all four forces had taken their turn.

Both numbers are true, both come from the same twenty-five years, and every step between them is computed to the dollar in the pages that follow — reproducible on any calculator from the market's own published returns.

The first number is what retirement plans are built on. The second is what retirements are actually lived on.

HOW TO READ THIS

A NOTE TO THE READER

This brief presents the core findings of a longer analytical whitepaper on the same subject. It is designed to be read in ten to fifteen minutes. The full whitepaper documents the underlying mathematics, the hundred-year rolling-window analysis, the historical data sources, and a detailed examination of the objections a skeptical reader will raise. Readers who want the complete methodology should request it.

The author is a Retirement Income Specialist whose practice spans the full financial lifecycle — wealth building during the accumulation years, and the design and implementation of coordinated retirement income strategies in the distribution phase. He has been in this role for nearly twenty years and currently serves more than 500 clients across the full age and financial spectrum, residing in every state in the United States.



The standpoint here is that of an analyst evaluating both market-based and insurance-based instruments on identical terms. When specific recommendations are appropriate for a given client, they are selected from a broad range of carrier appointments to match the right structure and the right company to that client's situation — not to push any single product across all clients.

A note on age. The framework in this brief is relevant for any adult who has begun building income and can establish a consistent savings habit — whether the reader is in their twenties just starting out, in their forties balancing competing priorities, or in their fifties and sixties evaluating what to do next.

Younger readers benefit from the time value of money — the single most powerful variable in any compound-growth calculation. The same framework applied to a thirty-year-old produces meaningfully larger outcomes from the same monthly contributions than the forty-two-year-old example used here, because compound time multiplies every dollar saved. Starting early is not a small advantage. It is the entire ballgame.

Older readers who suspect they may be “too old” for properly structured whole life to make sense may find the analysis surprising. At older ages, the cost of insurance does rise, but the IRS Modified Endowment Contract corridor simultaneously requires less death benefit per premium dollar to preserve tax-free distribution treatment. These two forces largely offset each other. Even with only five to ten years of accumulation remaining, properly structured whole life still does what no market asset can — particularly because the volatility buffer it creates becomes more valuable, not less, as a client approaches the phase where sequence-of-returns risk dominates. The right question is not “how old am I?” but “what does my complete plan currently include, and what is missing?”

TWO CAMPS, ONE INCOMPLETE PLAN

THE PROBLEM



The retirement planning world has long been divided into two camps. One builds plans around market investments and trusts that long-term returns will deliver. The other builds plans around insurance-based guarantees and trusts that contractual certainty matters more than market upside. Each camp views the other with skepticism. Each is wrong about the other — and wrong about what a complete retirement plan actually requires.

The better framework does not require choosing between them. It requires coordinating them. Market investing solves problems insurance cannot solve. Insurance solves problems markets cannot solve. The plan that coordinates both produces outcomes neither approach can produce alone.

This brief makes that case — beginning with a sober look at what the market actually delivers, and ending with what belongs alongside it.



RETURN COMPRESSION

THE GAP BETWEEN WHAT WALL STREET SAYS
AND WHAT YOU ACTUALLY NET

Four forces stand between the return the market advertises and the return an investor keeps. They are not opinions. Each is measured, each is documented, and each is unavoidable. Together they are the Four Forces of Return Compression.

FORCE ONE

Volatility Drag

The S&P 500's arithmetic mean annual total return across its last full century — 1926 through 2025 — is **12.11%**. The rate at which money actually compounded across that century is **10.28%**. The difference, **1.83 percentage points a year**, is Volatility Drag.

It is not an assumption, and not a deduction applied to a projection. It is simply the difference between *averaging* a series of annual returns and *multiplying* them together. Gain 50% one year and lose 50% the next and your average return is zero — but your account is down 25%. Losses cut deeper than equivalent gains repair.

Applied to the quarter-century just completed: the arithmetic mean of the twenty-five annual returns from 2001 through 2025 is 10.32%, which on \$100,000 projects to **\$1,164,870**. What the actual year-by-year sequence compounded to was **\$812,153**. The \$352,718 that separates them is Volatility Drag, and anyone with the published return series and a calculator arrives at both numbers. One caution on that 1.83: the drag is not a fixed constant but whatever the actual sequence produced — across this 2001–2025 window the arithmetic 10.32% compounds at 8.74%, a narrower gap of 1.58 points, because these twenty-five years were less volatile than the full century.



FORCE TWO

Activity Drag — The Cost of an Active Dollar

Most investors do not capture the index's return, and not through any lack of discipline. Two separately measured effects stand in the way.

The first is **manager underperformance**. Most retirement money does not sit in a bare index fund; it sits in actively managed funds — the default option in most 401(k)s, the funds most advisors allocate to. Roughly nine in ten trail the index they are measured against over twenty-year horizons — before the investor makes a single decision (S&P Dow Jones Indices, SPIVA). And this is the ordinary way to invest, not a fringe one: as of the end of 2025, roughly 46% of U.S. fund assets — about \$16 trillion — sat in active funds rather than index funds. This is not a failing on the investor's part. It is the documented record of the professional management they were placed in.

The second is the **behavior gap**. Even setting fund choice aside, the return investors capture falls short of the return their own funds report, because real people add and withdraw money at imperfect moments — not recklessly, just humanly. Morningstar's *Mind the Gap* measures this at roughly **1.2% a year** over multi-decade periods — the smaller and more contested of the two legs.

Together these two effects make up Activity Drag — the cost of a dollar being actively managed and humanly handled rather than left to track the index. This analysis applies **1.5% per year**, resting on the structural leg alone — conservative before the behavior gap is counted. Everywhere in this brief I have given the market every reasonable benefit of the doubt, and I am doing the same here: it is a deliberately conservative figure, and one that neither component requires the investor to have done anything wrong to earn.

FORCE THREE

Tax Drag

Most American retirement wealth sits in tax-deferred accounts — the traditional 401(k) or IRA. Every dollar in such an account, contributions included, comes out as ordinary income.

On the 2001–2025 sequence, with volatility and a realistic fee already applied, a \$100,000 tax-deferred account reaches a pre-tax balance of **\$631,710**. At a combined 25% rate — roughly 20% federal and 5% state — the terminal tax is **\$157,928**. The investor keeps **\$473,782**.

Read that middle figure the way the IRS will. The 25% applies to the entire ending balance — not the gains, the balance. Nearly \$158,000 of the ending value was never the investor's to keep. A projection that shows the pre-tax balance is showing a number that does not exist.



FORCE FOUR

Fee Drag

Of the four forces, fee drag is the smallest — roughly **1.06 percentage points** of annual return, just under the tax drag and well below volatility and activity drag. A 1.0% fee charged annually on a growing balance compounds into slightly more than 1.0 point of annualized return, because every dollar it removes can no longer compound in any later year — which is why it is 1.06 and not exactly 1.00. That is exactly why it gets waved away. It is also exactly why waving it away is a mistake, because fee drag is the only one of the four you actually choose. You cannot vote a bear market out of existence. You cannot repeal the tax code. You can decide what you pay to invest.

And “smallest” hides something, because most people have never seen the true size of their fee. Fees come in layers.

At the surface is the fund's own expense ratio — three to seven basis points for a broad-market index fund. Call it 0.05%. Run through the actual 2001–2025 market on a \$100,000 tax-deferred account, that visible fee costs about **\$7,568** in final after-tax wealth. A rounding error.

Beneath it sits the advisory fee, usually quoted near 1%, and usually the last number a client is ever shown. Beneath *that* sit the layers almost no one is shown at all: trading costs inside the funds, revenue-sharing and platform fees, the drag from uninvested cash. Each looks too small to matter. Stacked, they are the difference between the fee on the statement and the fee in reality. For a typical advised pre-retiree, once every layer is counted, the all-in cost lands at or above **1.0% a year**. A comprehensive managed arrangement runs higher still — often 1.5% or more.

\$100,000 · ACTUAL 2001–2025 MARKET · 25-YEAR HOLD · TAX-DEFERRED, 25% TERMINAL TAX

WHICH INVESTOR YOU ARE	ALL-IN ANNUAL COST	AFTER-TAX ENDING	LOST VS. PAYING NOTHING
No fee at all — the reference ceiling	0%	\$609,114	—
Do-it-yourselfer — pays only the fund's own expense ratio	0.05%	\$601,546	–\$7,568
Typical advised investor — every cost combined, seen and unseen	~1%	\$473,782	–\$135,332
Comprehensive managed account — every cost combined	1.5%+	\$417,450	–\$191,664

Activity Drag set aside, so the fee force can be seen alone. Each row is a different investor, and each percentage is that investor's complete all-in cost — not a fee added on top of the row above.



That full one-percent load, measured against paying nothing at all, is not a fraction of a point on a brochure. It is **\$135,332 of your own money**, gone, on a single \$100,000 account over one working life. Withdrawn quietly, a slice at a time, from the very dollars that were supposed to become your retirement — and most people never see the number, because no statement is built to show it.

Why the dollar cost dwarfs the percentage. Across those twenty-five years, that one-percent fee added up to only about \$54,000 in dollars actually paid. Yet the typical advised investor didn't end up \$54,000 poorer — they ended up **\$135,332 poorer after tax**, the figure in the table above. The cost dwarfs the fee because every fee dollar is a dollar that stopped compounding the moment it left the account: you lose the fee, and then you lose all the growth that fee would have thrown off for the rest of your life. That second part has a name — **Lost Opportunity Cost** — and it's why a “one percent” fee is never really one percent.

None of this says advice isn't worth paying for. A good advisor earns their fee many times over. But you cannot judge whether a cost is worth it if you have never been shown what it actually is — and almost no one is shown.

THE CASCADE

WHAT THE MATH ACTUALLY SHOWS

Here is the complete cascade, run on the twenty-five years most of today's savers invested through. Every figure is reproducible from the market's own published returns.

STAGE	RATE	\$100K OVER 25 YEARS
Average Gross — the arithmetic mean Wall Street projects	10.32%	\$1,164,870
After Volatility Drag — the actual sequence compounds to less	8.74%	\$812,153
After Activity Drag	7.21%	\$570,397
After 1% Fee (pre-tax)	—	\$443,667
After 25% Terminal Tax — THE ACTUAL NET	4.93%	\$332,750

Ten-point-three-two advertised. Four-point-nine-three kept.

And this was not a punishing quarter-century. **Twenty of those twenty-five years finished positive**, and those twenty winners averaged 17.5% apiece. Only five years finished down. The compression is not caused by the bad years. It is caused by four forces working on *every* year, the good ones included.

THE CALCULATOR RUN

Average Gross — 10.32%

Cash Flow Calculator — Average Gross vs. Actual Net Return										FORTE LIFE		
										Certainty · Liquidity · Legacy		
Years to Illustrate:		25	Force One Volatility Drag		Force Two Activity Drag		Force Three Tax Drag		Force Four Fee Drag		Marcus and Elena Barrett	
Current Age:		42	Mode: Fixed		Apply?: No		Mode: Off		Apply?: No			
Present Value:		\$100,000	Fixed Rate: 10.32%		Drag %: 1.50%		Asset Type: TD		Fee %: 1.00%			
Starting Basis (NQ only):		\$0	Show Key Outputs:		ON		LTCG Rate: 0.0%				Accumulation - Avg Gross ROR	
Starting Year:		2001	Avg Gross ROR:		10.32%		Ordinary Income Rate: 20.0%					
S&P Data Source:		Total Return	Force Drag applied:		0.00%		State Tax: 5.0%				Ending Balance	
Allow Negative Bal?:		Yes	Actual Net IRR:		10.32%		Tax Paid From: Account				\$1,164,870	
YEAR-BY-YEAR DETAIL												
Year #	Age	BOY Account Value	Gross Earnings Rate	Year	Force 2 Drag	Net Earnings Rate	Interest Earnings	Dividends \$	Div R/I	Tax Payment	Misc. Fees	EOY Account Value
1	42	\$100,000	10.32%	2001	0.00%	10.32%	\$10,319	-	R	-	-	\$110,319
2	43	\$110,319	10.32%	2002	0.00%	10.32%	\$11,384	-	R	-	-	\$121,703
3	44	\$121,703	10.32%	2003	0.00%	10.32%	\$12,559	-	R	-	-	\$134,262
4	45	\$134,262	10.32%	2004	0.00%	10.32%	\$13,855	-	R	-	-	\$148,117
5	46	\$148,117	10.32%	2005	0.00%	10.32%	\$15,284	-	R	-	-	\$163,401
6	47	\$163,401	10.32%	2006	0.00%	10.32%	\$16,862	-	R	-	-	\$180,263
7	48	\$180,263	10.32%	2007	0.00%	10.32%	\$18,602	-	R	-	-	\$198,865
8	49	\$198,865	10.32%	2008	0.00%	10.32%	\$20,521	-	R	-	-	\$219,386
9	50	\$219,386	10.32%	2009	0.00%	10.32%	\$22,639	-	R	-	-	\$242,025
10	51	\$242,025	10.32%	2010	0.00%	10.32%	\$24,975	-	R	-	-	\$267,000
11	52	\$267,000	10.32%	2011	0.00%	10.32%	\$27,552	-	R	-	-	\$294,552
12	53	\$294,552	10.32%	2012	0.00%	10.32%	\$30,395	-	R	-	-	\$324,948
13	54	\$324,948	10.32%	2013	0.00%	10.32%	\$33,532	-	R	-	-	\$358,480
14	55	\$358,480	10.32%	2014	0.00%	10.32%	\$36,992	-	R	-	-	\$395,472
15	56	\$395,472	10.32%	2015	0.00%	10.32%	\$40,810	-	R	-	-	\$436,281
16	57	\$436,281	10.32%	2016	0.00%	10.32%	\$45,021	-	R	-	-	\$481,302
17	58	\$481,302	10.32%	2017	0.00%	10.32%	\$49,667	-	R	-	-	\$530,969
18	59	\$530,969	10.32%	2018	0.00%	10.32%	\$54,792	-	R	-	-	\$585,760
19	60	\$585,760	10.32%	2019	0.00%	10.32%	\$60,446	-	R	-	-	\$646,206
20	61	\$646,206	10.32%	2020	0.00%	10.32%	\$66,683	-	R	-	-	\$712,889
21	62	\$712,889	10.32%	2021	0.00%	10.32%	\$73,564	-	R	-	-	\$786,454
22	63	\$786,454	10.32%	2022	0.00%	10.32%	\$81,156	-	R	-	-	\$867,609
23	64	\$867,609	10.32%	2023	0.00%	10.32%	\$89,530	-	R	-	-	\$957,140
24	65	\$957,140	10.32%	2024	0.00%	10.32%	\$98,769	-	R	-	-	\$1,055,909
25	66	\$1,055,909	10.32%	2025	0.00%	10.32%	\$108,961	-	R	-	-	\$1,164,870
TOTALS:			10.32%				\$1,064,870	-		-	-	

Actual Cash Flow Calculator export -- \$100,000 at a fixed 10.32% for twenty-five years, no forces applied, ending balance \$1,164,870.



THE FULL RECORD

Every Window in History

A fair skeptic should object that a single window can be cherry-picked. So take every twenty-five-year window the century contains — all **seventy-six** of them, starting 1926, 1927, and every year through 2001 — and run each through the same engine, with the same realistic investor. Not a simulation. Seventy-six actual quarter-centuries of American market history.

ACROSS ALL 76 WINDOWS	ACTUAL NET IRR	\$100K BECOMES
Worst window (1929–1953)	1.46%	\$143,751
10th percentile	4.00%	—
25th percentile	5.45%	—
Median window	6.40%	\$472,014
75th percentile	8.77%	—
Best window (1975–1999)	13.13%	\$2,185,661

Two things deserve a long look. The first is the width of the honest range: the same behavior, the same fee, the same tax treatment — and history handed one investor 1.46% and another 13.13%, purely by birth year. Anyone who quotes you a single expected return has skipped this table.

The second is the answer to the skeptic. In how many of the seventy-six windows did the four forces compress the market's advertised average into a materially smaller Actual Net Return? **Seventy-six**. The gap was never narrower than 4.7 percentage points, and it ran to a median of 5.4. Compression is not a defect of a bad period. It is a structural property of every period the market has ever produced.

Across those windows, the median Average Gross was 11.8%; the median Actual Net was 6.4%. On a \$100,000 account held twenty-five years, that is the distance between **\$1,625,718** and **\$472,014**. It is not a rounding error. It is the retirement.

THE CALCULATOR RUN
After Volatility Drag

Cash Flow Calculator — Average Gross vs. Actual Net Return										FORTE LIFE		
										Certainty · Liquidity · Legacy		
Years to Illustrate:		25	Force One Volatility Drag		Force Two Activity Drag		Force Three Tax Drag		Force Four Fee Drag		Marcus and Elena Barrett	
Current Age:		42	EARNINGS RATE		FORCE 2 DRAG		TAX TREATMENT		MISC. FEES			
Present Value:		\$100,000	Fixed Rate:	10.32%	Drag %:	1.50%	Asset Type:	TD	Fee %:	1.00%		
Starting Basis (NQ only):		\$0	Show Key Outputs:		ON		LTCG Rate:		0.0%		Accumulation - Volatility Drag Only	
Starting Year:		2001	Avg Gross ROR:		10.32%		Ordinary Income Rate:		20.0%			
S&P Data Source:		Total Return	Force Drag applied:		-1.58%		State Tax:		5.0%		Ending Balance	
Allow Negative Bal?:		Yes	Actual Net IRR:		8.74%		Tax Paid From:		Account		\$812,153	
YEAR-BY-YEAR DETAIL												
Year #	Age	BOY Account Value	Gross Earnings Rate	Year	Force 2 Drag	Net Earnings Rate	Interest Earnings	Dividends \$	Div R/I	Tax Payment	Misc. Fees	EOY Account Value
1	42	\$100,000	-11.85%	2001	0.00%	-11.85%	(\$11,850)	\$1,190	R	-	-	\$88,150
2	43	\$88,150	-21.97%	2002	0.00%	-21.97%	(\$19,367)	\$1,234	R	-	-	\$68,783
3	44	\$68,783	28.36%	2003	0.00%	28.36%	\$19,507	\$1,362	R	-	-	\$88,290
4	45	\$88,290	10.74%	2004	0.00%	10.74%	\$9,482	\$1,545	R	-	-	\$97,773
5	46	\$97,773	4.83%	2005	0.00%	4.83%	\$4,722	\$1,789	R	-	-	\$102,495
6	47	\$102,495	15.61%	2006	0.00%	15.61%	\$16,000	\$2,040	R	-	-	\$118,495
7	48	\$118,495	5.48%	2007	0.00%	5.48%	\$6,494	\$2,311	R	-	-	\$124,988
8	49	\$124,988	-36.55%	2008	0.00%	-36.55%	(\$45,683)	\$2,425	R	-	-	\$79,305
9	50	\$79,305	25.94%	2009	0.00%	25.94%	\$20,572	\$1,975	R	-	-	\$99,877
10	51	\$99,877	14.82%	2010	0.00%	14.82%	\$14,802	\$2,037	R	-	-	\$114,679
11	52	\$114,679	2.10%	2011	0.00%	2.10%	\$2,408	\$2,408	R	-	-	\$117,087
12	53	\$117,087	15.89%	2012	0.00%	15.89%	\$18,605	\$2,904	R	-	-	\$135,692
13	54	\$135,692	32.15%	2013	0.00%	32.15%	\$43,625	\$3,460	R	-	-	\$179,317
14	55	\$179,317	13.52%	2014	0.00%	13.52%	\$24,244	\$3,819	R	-	-	\$203,560
15	56	\$203,560	1.38%	2015	0.00%	1.38%	\$2,809	\$4,295	R	-	-	\$206,370
16	57	\$206,370	11.77%	2016	0.00%	11.77%	\$24,290	\$4,602	R	-	-	\$230,659
17	58	\$230,659	21.61%	2017	0.00%	21.61%	\$49,845	\$5,051	R	-	-	\$280,505
18	59	\$280,505	-4.23%	2018	0.00%	-4.23%	(\$11,865)	\$5,638	R	-	-	\$268,639
19	60	\$268,639	31.21%	2019	0.00%	31.21%	\$83,842	\$6,259	R	-	-	\$352,482
20	61	\$352,482	18.02%	2020	0.00%	18.02%	\$63,517	\$6,204	R	-	-	\$415,999
21	62	\$415,999	28.47%	2021	0.00%	28.47%	\$118,435	\$6,573	R	-	-	\$534,434
22	63	\$534,434	-18.04%	2022	0.00%	-18.04%	(\$96,412)	\$7,482	R	-	-	\$438,022
23	64	\$438,022	26.06%	2023	0.00%	26.06%	\$114,149	\$7,753	R	-	-	\$552,171
24	65	\$552,171	24.88%	2024	0.00%	24.88%	\$137,380	\$8,669	R	-	-	\$689,551
25	66	\$689,551	17.78%	2025	0.00%	17.78%	\$122,602	\$11,309	R	-	-	\$812,153
TOTALS:			10.32%				\$712,153	\$104,334		-	-	

Actual Cash Flow Calculator export -- the same \$100,000 through the real 2001-2025 sequence, 1.58% volatility drag, 8.74% net, ending balance \$812,153.



A LIMIT OF THE RECORD

ONE CHANGE THE RECORD CANNOT SHOW



There is a limit to what even a hundred years of history can tell you, and it is worth stating plainly. The century measured above — and especially its last four decades — was accumulated *into*. The largest generation in American history spent forty years as a structural net buyer of equities, paychecks flowing into the market through the retirement-plan architecture built for exactly that purpose. That generation has now crossed into retirement, where income needs and required minimum distributions make it a structural net seller for decades to come, with no equally large cohort of buyers behind it.

This is not a forecast, and this brief makes none. It is one more reason the historical record should be read as a record — not a promise. And the consequences of that reversal fall most heavily not on those still building, but on those drawing income, where the order of returns becomes decisive. That is the subject of the companion Distribution analysis.

THE HIGHER-COST CASE

THE MANAGED ACCOUNT REALITY



The figures above use a 1% all-in fee — the conservative end of what a typical advised investor pays once every layer is counted. Move to a comprehensive managed arrangement at 1.5% or more, and the same 2001–2025 window produces an Actual Net of **4.40%**, ending at **\$293,187** rather than \$332,750.

Because 1% sits at or below true all-in cost for most advised investors, this analysis **understates** rather than overstates the compression. Everywhere in this brief, the market has been given every reasonable benefit of the doubt.

THE OTHER HALF

ACCUMULATION IS ONLY THE SECOND ACT



Everything to this point has compared a single property of two instruments: the rate at which money grows. That comparison has been run honestly, on a hundred years of data.

It is also, on its own, close to meaningless. Money saved is not an end in itself. It is saved in order to become income, and what remains at the end becomes legacy. A rate of accumulation is a measurement taken in the middle of a story whose ending nobody has looked at.

THE CALCULATOR RUN

After Activity & Fees

Cash Flow Calculator — Average Gross vs. Actual Net Return										FORTE LIFE				
										Certainty · Liquidity · Legacy				
Years to Illustrate:		25	Force One Volatility Drag		Force Two Activity Drag		Force Three Tax Drag		Force Four Fee Drag		Marcus and Elena Barrett			
Current Age:		42	EARNINGS RATE		FORCE 2 DRAG		TAX TREATMENT		MISC. FEES					
Present Value:		\$100,000	Fixed Rate:	10.32%	Drag %:	1.50%	Asset Type:	TD	Fee %:	1.00%				
Starting Basis (NQ only):		\$0	Show Key Outputs:		ON	LTCG Rate:		0.0%	Accumulation - Volatility, Activity & Fees					
Starting Year:		2001	Avg Gross ROR:		10.32%	Ordinary Income Rate:		20.0%						
S&P Data Source:		Total Return	Force Drag applied:		-4.18%	State Tax:		5.0%	Ending Balance					
Allow Negative Bal?:		Yes	Actual Net IRR:		6.14%	Tax Paid From:		Account						
\$443,667														
YEAR-BY-YEAR DETAIL														
Year #	Age	BOY Account Value	Gross Earnings Rate	Year	Force 2 Drag	Net Earnings Rate	Interest Earnings	Dividends \$	Div R/I	Tax Payment	Misc. Fees	EOY Account Value		
1	42	\$100,000	-11.85%	2001	1.50%	-13.35%	(\$13,350)	\$1,190	R	-	(\$867)	\$85,784		
2	43	\$85,784	-21.97%	2002	1.50%	-23.47%	(\$20,133)	\$1,201	R	-	(\$657)	\$64,994		
3	44	\$64,994	28.36%	2003	1.50%	26.86%	\$17,457	\$1,287	R	-	(\$825)	\$81,626		
4	45	\$81,626	10.74%	2004	1.50%	9.24%	\$7,542	\$1,428	R	-	(\$892)	\$88,277		
5	46	\$88,277	4.83%	2005	1.50%	3.33%	\$2,940	\$1,615	R	-	(\$912)	\$90,304		
6	47	\$90,304	15.61%	2006	1.50%	14.11%	\$12,742	\$1,797	R	-	(\$1,030)	\$102,016		
7	48	\$102,016	5.48%	2007	1.50%	3.98%	\$4,060	\$1,989	R	-	(\$1,061)	\$105,015		
8	49	\$105,015	-36.55%	2008	1.50%	-38.05%	(\$39,958)	\$2,037	R	-	(\$651)	\$64,406		
9	50	\$64,406	25.94%	2009	1.50%	24.44%	\$15,741	\$1,604	R	-	(\$801)	\$79,346		
10	51	\$79,346	14.82%	2010	1.50%	13.32%	\$10,569	\$1,619	R	-	(\$899)	\$89,016		
11	52	\$89,016	2.10%	2011	1.50%	0.60%	\$534	\$1,869	R	-	(\$895)	\$88,654		
12	53	\$88,654	15.89%	2012	1.50%	14.39%	\$12,757	\$2,199	R	-	(\$1,014)	\$100,397		
13	54	\$100,397	32.15%	2013	1.50%	30.65%	\$30,772	\$2,560	R	-	(\$1,312)	\$129,858		
14	55	\$129,858	13.52%	2014	1.50%	12.02%	\$15,609	\$2,766	R	-	(\$1,455)	\$144,012		
15	56	\$144,012	1.38%	2015	1.50%	-0.12%	(\$173)	\$3,039	R	-	(\$1,438)	\$142,401		
16	57	\$142,401	11.77%	2016	1.50%	10.27%	\$14,625	\$3,176	R	-	(\$1,570)	\$155,455		
17	58	\$155,455	21.61%	2017	1.50%	20.11%	\$31,262	\$3,404	R	-	(\$1,867)	\$184,850		
18	59	\$184,850	-4.23%	2018	1.50%	-5.73%	(\$10,592)	\$3,715	R	-	(\$1,743)	\$172,515		
19	60	\$172,515	31.21%	2019	1.50%	29.71%	\$51,254	\$4,020	R	-	(\$2,238)	\$221,532		
20	61	\$221,532	18.02%	2020	1.50%	16.52%	\$36,597	\$3,899	R	-	(\$2,581)	\$255,548		
21	62	\$255,548	28.47%	2021	1.50%	26.97%	\$68,921	\$4,038	R	-	(\$3,245)	\$321,224		
22	63	\$321,224	-18.04%	2022	1.50%	-19.54%	(\$62,767)	\$4,497	R	-	(\$2,585)	\$255,872		
23	64	\$255,872	26.06%	2023	1.50%	24.56%	\$62,842	\$4,529	R	-	(\$3,187)	\$315,528		
24	65	\$315,528	24.88%	2024	1.50%	23.38%	\$73,770	\$4,954	R	-	(\$3,893)	\$385,405		
25	66	\$385,405	17.78%	2025	1.50%	16.28%	\$62,744	\$6,321	R	-	(\$4,481)	\$443,667		
TOTALS:			10.32%				\$385,765	\$70,753		-	(\$42,098)			

Actual Cash Flow Calculator export -- volatility plus 1.50% activity drag and a 1% fee, 4.18% total force drag, 6.14% net, ending balance \$443,667.



So look at the ending.

Two retirees, both sixty-seven. One holds \$1,000,000 in a traditional 401(k). The other holds \$593,235 of cash value in a properly structured whole life policy. How either arrived there is a separate question; set it aside entirely.

A word on “properly structured,” because it carries the whole comparison: it means a specific design — a minimized base policy with a maximized paid-up-additions rider, funded right up to but under the tax line (the MEC limit) — which is not how most whole life is built, because it is the design that pays the agent the least. It also has to be managed over time, not set and forgotten; the structure is the strategy, and a conventionally built policy will not do what this analysis describes.

Put them on the same footing first. A million-dollar tax-deferred balance is not a million dollars — at 25%, what the retiree actually owns is **\$750,000**. The policy's cash value is already tax-free. Net for net, the policyholder stands at sixty-seven holding **20.9% less money**.

AT AGE 67	401(K)	WHOLE LIFE POLICY
Balance	\$1,000,000	\$593,235
Net of tax — what is actually owned	\$750,000	\$593,235
Annual income drawn	\$48,000	\$38,000
Spendable, after tax	\$36,000	\$38,000
Payout rate on net balance	4.80%	6.41%
Full years of income delivered	23	25
Death benefit at age 92	\$0	\$165,676

The 401(k) draws \$48,000 a year — a 4.8% withdrawal most planners would call prudent. Taxed as ordinary income, \$36,000 reaches the retiree. Run against the actual 2001–2025 market, carrying the same Activity Drag and fee applied throughout this brief, that account delivers twenty-three years of income and is **exhausted in year twenty-four**, at age ninety. The last two years never arrive. Nothing passes to anyone.

THE CALCULATOR RUN

The Actual Net Return — 4.93%

Cash Flow Calculator — Average Gross vs. Actual Net Return										FORTE LIFE		
		Force One Volatility Drag		Force Two Activity Drag		Force Three Tax Drag		Force Four Fee Drag		Certainty · Liquidity · Legacy		
Years to Illustrate:	25	EARNINGS RATE		FORCE 2 DRAG		TAX TREATMENT		MISC. FEES		Marcus and Elena Barrett		
Current Age:	42	Mode:	Variable	Apply?:	Yes	Mode:	Terminal	Apply?:	Yes			
Present Value:	\$100,000	Fixed Rate:	10.32%	Drag %:	1.50%	Asset Type:	TD	Fee %:	1.00%	Accumulation - All 4 Forces		
Starting Basis (NQ only):	\$0	Show Key Outputs:		ON		LTCG Rate:		0.0%				
Starting Year:	2001	Avg Gross ROR:		10.32%		Ordinary Income Rate:		20.0%		Ending Balance		
S&P Data Source:	Total Return	Force Drag applied:		-5.39%		State Tax:		5.0%				
Allow Negative Bal?:	Yes	Actual Net IRR:		4.93%		Tax Paid From:		Account		\$332,750		
YEAR-BY-YEAR DETAIL												
Year #	Age	BOY Account Value	Gross Earnings Rate	Year	Force 2 Drag	Net Earnings Rate	Interest Earnings	Dividends \$	Div R/I	Tax Payment	Misc. Fees	EOY Account Value
1	42	\$100,000	-11.85%	2001	1.50%	-13.35%	(\$13,350)	\$1,190	R	-	(\$867)	\$85,784
2	43	\$85,784	-21.97%	2002	1.50%	-23.47%	(\$20,133)	\$1,201	R	-	(\$657)	\$64,994
3	44	\$64,994	28.36%	2003	1.50%	26.86%	\$17,457	\$1,287	R	-	(\$825)	\$81,626
4	45	\$81,626	10.74%	2004	1.50%	9.24%	\$7,542	\$1,428	R	-	(\$892)	\$88,277
5	46	\$88,277	4.83%	2005	1.50%	3.33%	\$2,940	\$1,615	R	-	(\$912)	\$90,304
6	47	\$90,304	15.61%	2006	1.50%	14.11%	\$12,742	\$1,797	R	-	(\$1,030)	\$102,016
7	48	\$102,016	5.48%	2007	1.50%	3.98%	\$4,060	\$1,989	R	-	(\$1,061)	\$105,015
8	49	\$105,015	-36.55%	2008	1.50%	-38.05%	(\$39,958)	\$2,037	R	-	(\$651)	\$64,406
9	50	\$64,406	25.94%	2009	1.50%	24.44%	\$15,741	\$1,604	R	-	(\$801)	\$79,346
10	51	\$79,346	14.82%	2010	1.50%	13.32%	\$10,569	\$1,619	R	-	(\$899)	\$89,016
11	52	\$89,016	2.10%	2011	1.50%	0.60%	\$534	\$1,869	R	-	(\$895)	\$88,654
12	53	\$88,654	15.89%	2012	1.50%	14.39%	\$12,757	\$2,199	R	-	(\$1,014)	\$100,397
13	54	\$100,397	32.15%	2013	1.50%	30.65%	\$30,772	\$2,560	R	-	(\$1,312)	\$129,858
14	55	\$129,858	13.52%	2014	1.50%	12.02%	\$15,609	\$2,766	R	-	(\$1,455)	\$144,012
15	56	\$144,012	1.38%	2015	1.50%	-0.12%	(\$173)	\$3,039	R	-	(\$1,438)	\$142,401
16	57	\$142,401	11.77%	2016	1.50%	10.27%	\$14,625	\$3,176	R	-	(\$1,570)	\$155,455
17	58	\$155,455	21.61%	2017	1.50%	20.11%	\$31,262	\$3,404	R	-	(\$1,867)	\$184,850
18	59	\$184,850	-4.23%	2018	1.50%	-5.73%	(\$10,592)	\$3,715	R	-	(\$1,743)	\$172,515
19	60	\$172,515	31.21%	2019	1.50%	29.71%	\$51,254	\$4,020	R	-	(\$2,238)	\$221,532
20	61	\$221,532	18.02%	2020	1.50%	16.52%	\$36,597	\$3,899	R	-	(\$2,581)	\$255,548
21	62	\$255,548	28.47%	2021	1.50%	26.97%	\$68,921	\$4,038	R	-	(\$3,245)	\$321,224
22	63	\$321,224	-18.04%	2022	1.50%	-19.54%	(\$62,767)	\$4,497	R	-	(\$2,585)	\$255,872
23	64	\$255,872	26.06%	2023	1.50%	24.56%	\$62,842	\$4,529	R	-	(\$3,187)	\$315,528
24	65	\$315,528	24.88%	2024	1.50%	23.38%	\$73,770	\$4,954	R	-	(\$3,893)	\$385,405
25	66	\$385,405	17.78%	2025	1.50%	16.28%	\$62,744	\$6,321	R	(\$110,917)	(\$4,481)	\$332,750
TOTALS:			10.32%				\$385,765	\$70,753		(\$110,917)	(\$42,098)	

Actual Cash Flow Calculator export -- all four forces including the 25% terminal tax, 5.39% force drag, 4.93% Actual Net internal rate of return, ending balance \$332,750.

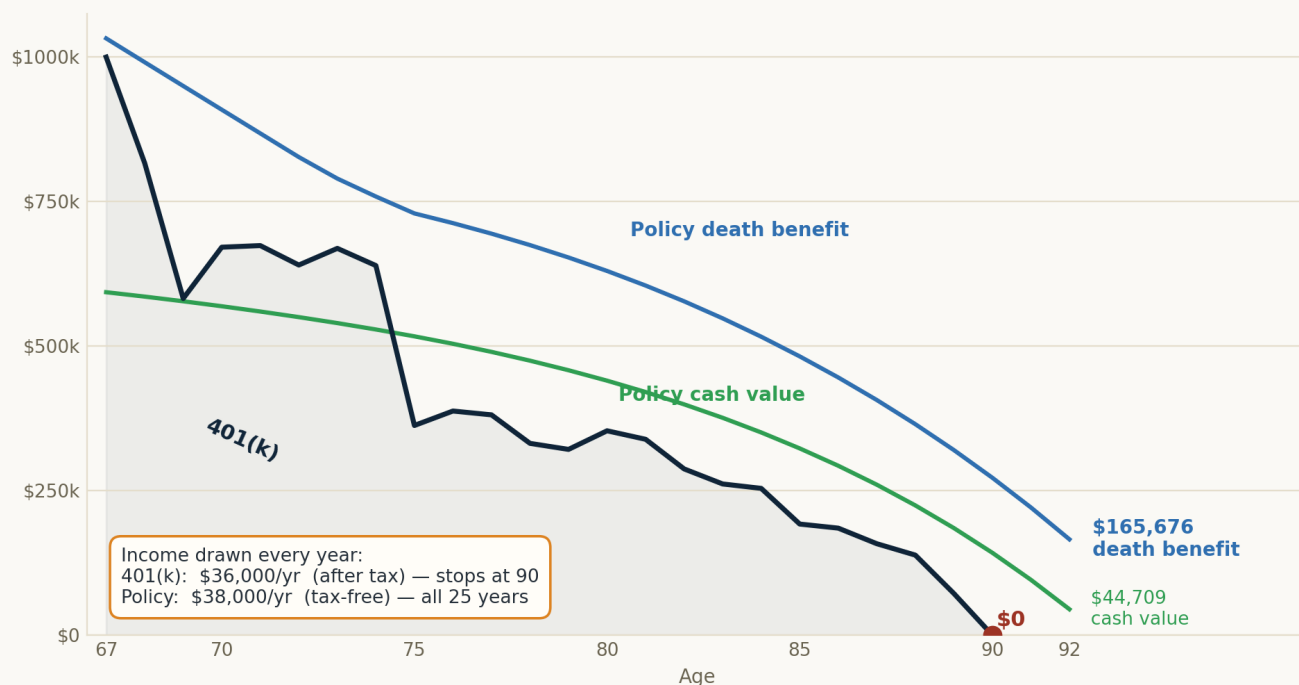


The policy pays **\$38,000 a year, tax-free, for all twenty-five years** — a 6.41% payout rate against 4.80%, nearly a third higher. Over the period it distributes \$950,000. And at ninety-two, having paid out nearly a million dollars, it still holds cash value and **\$165,676 of death benefit**.

Twenty percent less money. More spendable income. Twenty-five years of it instead of twenty-three. And a legacy the larger asset could not leave.

Two Retirements at 67 — One Runs Dry, One Never Does

Both start with the same job: draw retirement income for 25 years. Actual 2001–2025 market vs. one real policy.



401(k): Forte Life Cash Flow Calculator · Policy: Penn Mutual illustration, Marcus Barrett — every figure reproducible

The navy line is the 401(k) — it hits zero at ninety. The policy's **cash value** and **death benefit** never do, and it pays more, tax-free, the whole way. Plotted exactly to scale from the actual Cash Flow Calculator run and the policy illustration; the full year-by-year 401(k) schedule is in the appendix.

Why? Because the two rates are not doing the same work. Of every dollar the market earns, a share is lost to volatility, a share to the funds and the timing, a share to fees, and a quarter of whatever survives to tax — and what finally reaches the retiree converts to income at 4.80%, taxable, with a real possibility of running out. Of every dollar the policy credits, all of it stays, and it converts to income at 6.41%, tax-free, without depleting, with a death benefit still standing behind it.

The market must earn a great deal more because it keeps a great deal less.

THE CALCULATOR RUN

The \$1,000,000 Depletion

Cash Flow Calculator — Average Gross vs. Actual Net Return										FORTE LIFE				
			Force One Volatility Drag		Force Two Activity Drag		Force Three Tax Drag		Force Four Fee Drag		Certainty · Liquidity · Legacy			
Years to Illustrate:	25	Cash Flow 1	EARNINGS RATE		FORCE 2 DRAG		TAX TREATMENT		MISC. FEES		Marcus and Elena Barrett Couple A Example			
Current Age:	67	ON	Mode:	Variable	Apply?:	Yes	Mode:	Annual	Apply?:	Yes				
Present Value:	\$1,000,000	BOY	Fixed Rate:	10.32%	Drag %:	1.50%	Asset Type:	TD	Fee %:	1.00%	Market Only - Variable Rate			
Starting Basis (NQ only):	\$0	(\$48,000)	Show Key Outputs:		ON		LTCG Rate:		0.0%					
Starting Year:	2001	0.0%	Avg Gross ROR:		10.32%		Ordinary Income Rate:		20.0%		Ending Balance			
S&P Data Source:	Total Return		Force Drag applied:		-9.28%		State Tax:		5.0%					
Allow Negative Bal?:	Yes		Actual Net IRR:		1.04%		Tax Paid From:		Account		\$0			
YEAR-BY-YEAR DETAIL														
Year #	Age	BOY Account Value	Retirement Income	Gross Earnings Rate	Year	Force 2 Drag	Net Earnings Rate	Interest Earnings	Dividends \$	Div R/I	Tax Payment	Misc. Fees	EOY Account Value	
1	67	\$1,000,000	(\$48,000)	-11.85%	2001	1.50%	-13.35%	(\$127,092)	\$11,329	R	-	(\$8,249)	\$816,659	
2	68	\$816,659	(\$48,000)	-21.97%	2002	1.50%	-23.47%	(\$180,404)	\$10,761	R	-	(\$5,883)	\$582,372	
3	69	\$582,372	(\$48,000)	28.36%	2003	1.50%	26.86%	\$143,532	\$10,581	R	-	(\$6,779)	\$671,125	
4	70	\$671,125	(\$48,000)	10.74%	2004	1.50%	9.24%	\$57,577	\$10,905	R	-	(\$6,807)	\$673,895	
5	71	\$673,895	(\$48,000)	4.83%	2005	1.50%	3.33%	\$20,842	\$11,454	R	-	(\$6,467)	\$640,270	
6	72	\$640,270	(\$48,000)	15.61%	2006	1.50%	14.11%	\$83,569	\$11,786	R	-	(\$6,758)	\$669,081	
7	73	\$669,081	(\$48,000)	5.48%	2007	1.50%	3.98%	\$24,719	\$12,111	R	-	(\$6,458)	\$639,342	
8	74	\$639,342	(\$48,000)	-36.55%	2008	1.50%	-38.05%	(\$225,006)	\$11,472	R	-	(\$3,663)	\$362,673	
9	75	\$362,673	(\$48,000)	25.94%	2009	1.50%	24.44%	\$76,906	\$7,835	R	-	(\$3,916)	\$387,663	
10	76	\$387,663	(\$48,000)	14.82%	2010	1.50%	13.32%	\$45,243	\$6,929	R	-	(\$3,849)	\$381,057	
11	77	\$381,057	(\$48,000)	2.10%	2011	1.50%	0.60%	\$1,998	\$6,994	R	-	(\$3,351)	\$331,705	
12	78	\$331,705	(\$48,000)	15.89%	2012	1.50%	14.39%	\$40,825	\$7,036	R	-	(\$3,245)	\$321,285	
13	79	\$321,285	(\$48,000)	32.15%	2013	1.50%	30.65%	\$83,762	\$6,969	R	-	(\$3,570)	\$353,477	
14	80	\$353,477	(\$48,000)	13.52%	2014	1.50%	12.02%	\$36,718	\$6,507	R	-	(\$3,422)	\$338,773	
15	81	\$338,773	(\$48,000)	1.38%	2015	1.50%	-0.12%	(\$349)	\$6,135	R	-	(\$2,904)	\$287,520	
16	82	\$287,520	(\$48,000)	11.77%	2016	1.50%	10.27%	\$24,599	\$5,341	R	-	(\$2,641)	\$261,477	
17	83	\$261,477	(\$48,000)	21.61%	2017	1.50%	20.11%	\$42,930	\$4,675	R	-	(\$2,564)	\$253,843	
18	84	\$253,843	(\$48,000)	-4.23%	2018	1.50%	-5.73%	(\$11,795)	\$4,137	R	-	(\$1,940)	\$192,108	
19	85	\$192,108	(\$48,000)	31.21%	2019	1.50%	29.71%	\$42,815	\$3,358	R	-	(\$1,869)	\$185,053	
20	86	\$185,053	(\$48,000)	18.02%	2020	1.50%	16.52%	\$22,641	\$2,412	R	-	(\$1,597)	\$158,098	
21	87	\$158,098	(\$48,000)	28.47%	2021	1.50%	26.97%	\$29,693	\$1,740	R	-	(\$1,398)	\$138,393	
22	88	\$138,393	(\$48,000)	-18.04%	2022	1.50%	-19.54%	(\$17,663)	\$1,266	R	-	(\$727)	\$72,003	
23	89	\$72,003	(\$48,000)	26.06%	2023	1.50%	24.56%	\$5,895	\$425	R	-	(\$299)	\$29,599	
24	90	\$29,599	(\$29,599)	24.88%	2024	1.50%	23.38%	\$0	\$0	R	-	(\$0)	\$0	
25	91	\$0	-	17.78%	2025	1.50%	16.28%	\$0	\$0	R	(\$0)	(\$0)	\$0	
TOTALS:			(\$1,133,599)	10.32%				\$221,957	\$162,157		(\$0)	(\$88,358)		

Actual Cash Flow Calculator export -- the full year-by-year run behind the chart. \$1,000,000 at age 67 drawing \$48,000 a year through 2001-2025, emptying in the twenty-fourth year at age ninety.



A retiree can win on rate and still run out of money at ninety. To judge two instruments on accumulation rate alone — the only chapter examined above — is to grade a three-act play on its second act.

WHAT THE MARKET MUST PRODUCE

THE APPLES-TO-APPLES COMPARISON



What must the market portfolio produce, before all four forces, to match what a properly structured whole life policy delivers contractually?

Solving the full four-force engine backward: an Average Gross of **10.61%** at the realistic 1% all-in fee, or **11.16%** in a comprehensive managed account. Both sit inside the 10–12% headline range Wall Street quotes — which is the point. Matching the policy requires the market to actually deliver its brochure, every year, for a working lifetime.

That requirement is not a formality history always cleared. Of the seventy-six quarter-centuries on record, **seventeen delivered less than 10.61%**, and **twenty-seven — better than one in three — delivered less than 11.16%**.

Now the honest part — and be precise about what the policy's number actually is. Its illustrated **5.00% Actual Net Return** assumes the carrier's current dividend scale of **6.00%** — and that scale sits below 74% of its own 38-year history, a scale the illustration is required to hold flat for life. It is far nearer a floor than a ceiling. Against the realized net distribution, that 5.00% sits between the 10th and 25th percentile of the seventy-six windows — quoted, in other words, at close to the lowest the carrier's record would suggest, against the market at its average.

Be precise about what that figure is, because the two sides of this comparison are not the same kind of number. The 5.00% is what one contract projects at the carrier's current dividend scale, held flat for sixty years — an illustration is required to assume today's scale never changes. The market's distribution is a century of realized outcomes across every rate environment there has been. One number is pinned to this year. The other roams a hundred.

Grant it anyway. Rate is not the argument, and rate is not the test. The policy's number is **contractual** while every figure in that distribution was **drawn**, unknowably, at birth — and the investor who needs the market to clear 10.61% has no mechanism to choose which window they get. One instrument delivers a defined outcome; the other delivers a lottery over history, in which seventeen of the seventy-six cards would have failed to match the defined one.



THE COMMON OBJECTION

“BUY TERM AND INVEST THE DIFFERENCE”

The most common objection to everything above is also the most reasonable one: buy cheap term insurance for the protection, invest the savings in the market, and get both. It is worth pricing honestly.

The policy in this analysis carries a death benefit that begins at \$251,264 and grows past \$1,032,395 by age sixty-seven. A 20-year level term policy bought at forty-two covers policy years one through twenty — age forty-two to sixty-two. Across exactly that window, the policy's net death benefit averages **\$546,000**, rising from \$276,815 in the first year to \$842,690 in the twentieth. At forty-two, in the best health class, \$546,000 of 20-year level term costs **\$452 a year** — \$9,040 across the full term.

That cost is real, and it belongs in the comparison. Carried against the market portfolio's average balance, it adds roughly **0.30 percentage points** to what the market must earn. The requirement rises accordingly: the buy-term investor at a 1% all-in fee must now see an Average Gross of **10.91%**, and **11.46%** in a comprehensive managed account. *(These two figures include the term insurance cost. The 10.61% and 11.16% above do not — the same comparison without the term leg.)* Measured against the record, **twenty-two of the seventy-six quarter-centuries delivered less than 10.91%, and thirty-three delivered less than 11.46%.**

But price is the smaller half of the problem. The term expires at sixty-two — and the strategy quietly assumes he can simply buy more.

At sixty-two, in the best health class, that same \$546,000 of 20-year coverage costs **\$3,497 a year** — nearly eight times the \$452 he paid at forty-two. And a 30-year term, the coverage that would carry him to ninety-two as the policy does, **is not offered at that age at all**. Shorter terms cost less and expire sooner: \$2,539 a year buys fifteen years, to seventy-seven. \$1,906 buys ten, to seventy-two. The coverage does not merely get more expensive. It gets shorter.

Every figure above also assumes he still qualifies for the best health class at sixty-two. That is a far harder assumption than it was at forty-two, because two decades of accumulated medical history is precisely what underwriting examines. Many will not qualify at the best rates. Some will not qualify at any price — and for them, the replacement does not exist to be bought.

Buy term and invest the difference is a sound strategy for a defined need across a defined window. It is not a substitute for permanent coverage, because at exactly the ages where coverage matters most, the price rises, the term shortens, and the door begins to close. The dollars alone understate it.



THE ILLUSTRATION CONSTRAINT

THE ASYMMETRY NO ONE TALKS ABOUT



An insurance illustration is legally required to project the carrier's *current* dividend scale, unchanged, for sixty years. A market projection faces no such constraint — it may assume the historical average and compound it forward without apology.

So consider what “current” means. Measured against a representative major participating mutual insurer's published dividend history since 1989 — thirty-eight years — the arithmetic mean of the annual dividend interest rate is **7.07%** and the median is **6.34%**. Six of those thirty-eight years credited less than the ~6.00% scale used in this illustration; four credited exactly 6.00%; and **twenty-eight — seventy-four percent of the published record — credited more.**

The policy's projected outcomes would be materially better under a dividend scale anywhere near its own long-run average. The market's projection is quoted at its average. The policy's is quoted at a scale below three-quarters of its own history. That asymmetry runs against the policy in every comparison in this brief — and the conclusions hold anyway.

THE QUIETER VERSION

THE SAFE MONEY YOU ALREADY HOLD



There is a smaller, quieter version of the same mistake sitting in almost every plan — in the *safe* money. If you hold a target-date fund, a “60/40” account, or you simply followed standard advice, a real slice of your portfolio is already in bonds and cash, on purpose — a fifth to a third of it, growing as you age. That much is sound. Where it sits is the question.



Put numbers on it. Take a \$100,000 safe sleeve — \$72,000 in bonds, \$28,000 in cash — and measure what it actually keeps over twenty-five years, spelled out, nothing hidden inside a blended average:

THE SAFE SLEEVE, SPELLED OUT	BONDS · \$72,000	CASH · \$28,000
Gross rate	5.4%	3.0%
Less fund fee	-0.36%	—
Less income tax, every year	-25% OF THE GAIN	-25% OF THE GAIN
Net rate it actually keeps	3.78%	2.25%
After 25 years	\$182,043	\$48,836

The bonds earn a fair 5.4%, but after the fund fee and the tax they owe every year they keep **3.78%**; the cash keeps **2.25%**. Together the sleeve grows to **\$230,879** — a blended **3.40% a year**. Now hold that same \$100,000 in the cash value of a properly structured policy instead — same safety, still reachable on demand, no fund fee and no annual tax:

\$100,000 SAFE SLEEVE · 25 YEARS	NET RATE	AFTER 25 YEARS
Bonds + cash, as typically held	3.40%	\$230,879
Policy cash value	5.00%, TAX-FREE	\$338,635

Same safety. Same access. \$107,756 more.

Read it net to net, because that is where the “but whole life earns less” reflex breaks: the bond's 5.4% is a *headline* rate — before its fee and the tax it owes every year — and what it actually keeps is 3.78%, while the policy's 5.00% is already net and tax-free. Even with the entire sleeve in bonds and no idle cash at all, the most it keeps is **\$252,838** — still **\$85,798** short of the policy's \$338,635 — because the bond is charged a fee and taxed every year while it works, and the cash value is not.

One detail makes it click: the dividend that funds that cash value is itself produced largely by high-grade bonds inside the insurer's own general account. This is not an exotic alternative to your safe money — it is the same kind of asset, in a place that isn't taxed every year and isn't locked for a term. The safe money in most plans is not underperforming because it was invested badly; it is underperforming because of *where it is located*.



That is the safe portion of a plan finding a better home. The full treatment — and what the same dollar can do once it is put to work, borrowed against while it keeps compounding — is the subject of the companion **Living Asset Strategy** analysis.

THREE ELEMENTS

WHAT A COMPLETE PLAN REQUIRES

A complete plan requires three elements: **market-based growth**, **guaranteed income**, and **non-correlated buffer capital**. Most plans have one. Many have two. Few have all three.

The third element is the one almost nobody has, and it is the one that matters most at the exact moment the accumulation years end. A coordinated plan needs three to five years of income in a source that does not fall when the market falls, so the client is never forced to sell into a drawdown. Cash value can supply it — while it goes on doing everything else described here. The timing is precise: the down year's income still comes from the portfolio, because no one knows in advance how a year will end — it is the following year, once the loss is a fact, that income is drawn from the cash value instead, leaving the portfolio to recover on its full balance.

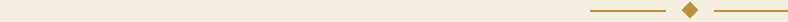
Three to five years is not a rule of thumb. Across all seventy-six rolling twenty-five-year windows of the last century, the longest unbroken run of down years had a median of two and a maximum of four: the four consecutive years from 1929 through 1932. A three-year buffer covers the longest run in seventy-two of the seventy-six windows; four years covers all seventy-six. The remainder of the range is margin, not a figure the record demands. A buffer is not sized by how many down years a retirement contains — a typical twenty-five years holds about six. It is sized by the longest unbroken run of them.

This non-correlation has a second dimension a rate comparison never captures. Properly structured policy income does not enter the MAGI figure that governs the income-tested thresholds of retirement — how much of a retiree's Social Security becomes taxable, and whether they cross into the IRMAA surcharges that raise Medicare premiums for higher-income beneficiaries. A taxable withdrawal of the same spendable amount can trigger both. So, notably, can income from many assets commonly called “tax-free,” such as municipal bonds, whose interest remains inside that calculation. Properly structured policy income does not. “Non-correlated” means non-correlated to tax-rate risk, not merely to market volatility — the subject the companion Distribution analysis takes up in full.



THE CLAIM, PRECISELY

WHAT THIS BRIEF IS NOT ARGUING



It is **not** arguing that whole life out-earns the market — that was never the claim, and rate is the wrong test. A rate contest compares the market at its *advertised* average against a policy quoted near its floor, and it ignores what the money actually keeps and what it can do. The claim here is different: that the safe portion of a plan has a better home, and that coordination — not rate — decides the outcome.

It is **not** arguing against market investing. Market growth is one of the three required elements.

It is **not** arguing against advice. A fee buys real things. The argument is that the cost should be visible, in dollars, over your lifetime, so the decision is yours to make with your eyes open.

It **is** arguing that a plan built on the market's advertised average is built on a number no investor has ever received — and that the instrument capable of closing that gap is the one almost no plan contains.

WHERE TO GO DEEPER

This is **the Executive Brief** in Forte Life's **Accumulation** series, *The Actual Net Return* — one of four layers, each going deeper than the last:

HIGHLIGHTS	<i>the fast overview (~7 min)</i>
THE TWO RETIREMENTS	<i>the full story (~15 min)</i>
EXECUTIVE BRIEF	<i>the condensed rigorous analysis (~20 min) — the one you're reading</i>
WHITEPAPER	<i>the complete analysis, with the hundred-year data and full methodology (the reference)</i>

And Accumulation is one of three companion series that fit together:

LIVING ASSET STRATEGY how this same policy becomes a *dual-use* asset: capital you can put to work while it keeps compounding, uninterrupted.

DISTRIBUTION *The Order of Things* — how a plan behaves once the income years begin, where the *order* of returns, not the average, decides whether the money lasts.

WHERE TO BEGIN

WHAT TO DO NEXT



1. Book your Capital Coordination Session. The analysis here is general; your plan is not. A focused look at how your money is actually put together — whether your accumulation, your income, your taxes, and your legacy are working as one system, or just sitting side by side. You get something of value whether or not you buy anything: you leave knowing where the seams are. What it produces is a coordinated Retirement Income Plan — principles first, then strategy, then whatever instruments the plan actually calls for, with one person designing for the total.



2. Request the full whitepaper. The complete analysis documents every calculation in this brief, the hundred-year rolling-window data in full, the methodology behind every figure, and a detailed examination of the objections a skeptical reader will raise. Readers who want to verify the analysis, or use it in conversations with other advisors, should ask for it.

3. Take inventory of your own plan. A complete plan requires three elements: market-based growth, guaranteed income, and non-correlated buffer capital. Most plans have one. Many have two. Few have all three. Identifying which element is missing — and at what magnitude — is the starting point for any constructive adjustment. It is also a question most people cannot answer about their own plan, which is itself the answer.

If anything here raises a question, reply and ask it. Every question gets an answer.

APPENDIX

THE FULL YEAR-BY-YEAR DEPLETION



The chart earlier in this brief shows the \$1,000,000 401(k) running dry at age ninety. Below is the entire calculator behind that line — the actual Cash Flow Calculator run, nothing taken on faith. Every one of the Four Forces is applied and labeled, every column is shown, and every row settles to the dollar: **End of Year = Beginning of Year – Retirement Income + Interest Earnings – Misc. Fees.** Nothing is projected or averaged; each year is the market year it actually was. Read it and the claim stops being a claim.



Cash Flow Calculator — Average Gross vs. Actual Net Return										FORTE LIFE			
			Force One Volatility Drag		Force Two Activity Drag		Force Three Tax Drag		Force Four Fee Drag		Certainty · Liquidity · Legacy		
Years to Illustrate:	25	Cash Flow 1	EARNINGS RATE		FORCE 2 DRAG		TAX TREATMENT		MISC. FEES		Marcus and Elena Barrett Couple A Example		
Current Age:	67	ON	Mode:	Variable	Apply?:	Yes	Mode:	Annual	Apply?:	Yes			
Present Value:	\$1,000,000	BOY	Fixed Rate:	10.32%	Drag %:	1.50%	Asset Type:	TD	Fee %:	1.00%	Market Only - Variable Rate		
Starting Basis (NQ only):	\$0	(\$48,000)	Show Key Outputs:		ON		LTCG Rate:		0.0%				
Starting Year:	2001	0.0%	Avg Gross ROR:		10.32%		Ordinary Income Rate:		20.0%		Ending Balance		
S&P Data Source:	Total Return		Force Drag applied:		-9.28%		State Tax:		5.0%				
Allow Negative Bal?:	Yes		Actual Net IRR:		1.04%		Tax Paid From:		Account		\$0		
YEAR-BY-YEAR DETAIL													
Year #	Age	BOY Account Value	Retirement Income	Gross Earnings Rate	Year	Force 2 Drag	Net Earnings Rate	Interest Earnings	Dividends \$	Div R/I	Tax Payment	Misc. Fees	EOY Account Value
1	67	\$1,000,000	(\$48,000)	-11.85%	2001	1.50%	-13.35%	(\$127,092)	\$11,329	R	-	(\$8,249)	\$816,659
2	68	\$816,659	(\$48,000)	-21.97%	2002	1.50%	-23.47%	(\$180,404)	\$10,761	R	-	(\$5,883)	\$582,372
3	69	\$582,372	(\$48,000)	28.36%	2003	1.50%	26.86%	\$143,532	\$10,581	R	-	(\$6,779)	\$671,125
4	70	\$671,125	(\$48,000)	10.74%	2004	1.50%	9.24%	\$57,577	\$10,905	R	-	(\$6,807)	\$673,895
5	71	\$673,895	(\$48,000)	4.83%	2005	1.50%	3.33%	\$20,842	\$11,454	R	-	(\$6,467)	\$640,270
6	72	\$640,270	(\$48,000)	15.61%	2006	1.50%	14.11%	\$83,569	\$11,786	R	-	(\$6,758)	\$669,081
7	73	\$669,081	(\$48,000)	5.48%	2007	1.50%	3.98%	\$24,719	\$12,111	R	-	(\$6,458)	\$639,342
8	74	\$639,342	(\$48,000)	-36.55%	2008	1.50%	-38.05%	(\$225,006)	\$11,472	R	-	(\$3,663)	\$362,673
9	75	\$362,673	(\$48,000)	25.94%	2009	1.50%	24.44%	\$76,906	\$7,835	R	-	(\$3,916)	\$387,663
10	76	\$387,663	(\$48,000)	14.82%	2010	1.50%	13.32%	\$45,243	\$6,929	R	-	(\$3,849)	\$381,057
11	77	\$381,057	(\$48,000)	2.10%	2011	1.50%	0.60%	\$1,998	\$6,994	R	-	(\$3,351)	\$331,705
12	78	\$331,705	(\$48,000)	15.89%	2012	1.50%	14.39%	\$40,825	\$7,036	R	-	(\$3,245)	\$321,285
13	79	\$321,285	(\$48,000)	32.15%	2013	1.50%	30.65%	\$83,762	\$6,969	R	-	(\$3,570)	\$353,477
14	80	\$353,477	(\$48,000)	13.52%	2014	1.50%	12.02%	\$36,718	\$6,507	R	-	(\$3,422)	\$338,773
15	81	\$338,773	(\$48,000)	1.38%	2015	1.50%	-0.12%	(\$349)	\$6,135	R	-	(\$2,904)	\$287,520
16	82	\$287,520	(\$48,000)	11.77%	2016	1.50%	10.27%	\$24,599	\$5,341	R	-	(\$2,641)	\$261,477
17	83	\$261,477	(\$48,000)	21.61%	2017	1.50%	20.11%	\$42,930	\$4,675	R	-	(\$2,564)	\$253,843
18	84	\$253,843	(\$48,000)	-4.23%	2018	1.50%	-5.73%	(\$11,795)	\$4,137	R	-	(\$1,940)	\$192,108
19	85	\$192,108	(\$48,000)	31.21%	2019	1.50%	29.71%	\$42,815	\$3,358	R	-	(\$1,869)	\$185,053
20	86	\$185,053	(\$48,000)	18.02%	2020	1.50%	16.52%	\$22,641	\$2,412	R	-	(\$1,597)	\$158,098
21	87	\$158,098	(\$48,000)	28.47%	2021	1.50%	26.97%	\$29,693	\$1,740	R	-	(\$1,398)	\$138,393
22	88	\$138,393	(\$48,000)	-18.04%	2022	1.50%	-19.54%	(\$17,663)	\$1,266	R	-	(\$727)	\$72,003
23	89	\$72,003	(\$48,000)	26.06%	2023	1.50%	24.56%	\$5,895	\$425	R	-	(\$299)	\$29,599
24	90	\$29,599	(\$29,599)	24.88%	2024	1.50%	23.38%	\$0	\$0	R	-	(\$0)	\$0
25	91	\$0	-	17.78%	2025	1.50%	16.28%	\$0	\$0	R	(\$0)	(\$0)	\$0
TOTALS:			(\$1,133,599)	10.32%				\$221,957	\$162,157		(\$0)	(\$88,358)	

The Forte Life Cash Flow Calculator — \$1,000,000 at age 67, \$48,000 drawn each year against the real 2001–2025 S&P 500 total return, with all four forces applied and labeled every year. Despite a 10.32% average gross return and twenty of twenty-five years positive, the account empties in the twenty-fourth year at age ninety. The Actual Net internal rate of return on the whole run is 1.04%.



Two details deserve a second look. The **average gross return across these twenty-five years was 10.32%** — the very number the brochure advertises — and the account still emptied, because the four forces and the *order* of the returns did their work on every dollar every year. And the account did not fail in a bad market: **twenty of the twenty-five years finished positive**. It failed at age ninety, in the twenty-fourth year, with only \$29,599 left to draw against a \$48,000 need — the market simply kept less than the plan assumed, and the sequence of the early losses (2001, 2002, and the -38% of 2008) is what the average can never show. The **Actual Net internal rate of return on the whole run was 1.04%**.

This appendix reproduces Cash Flow 1 of the Forte Life Cash Flow Calculator (Market Only — Variable Rate): \$1,000,000 present value, current age 67, 25 years, S&P 500 total return beginning 2001, 10.32% average gross ROR, 1.50% activity drag, 20% ordinary income tax, 1.00% fee. Every figure is reproducible from the market's own published returns.

*This brief is the condensed layer of a three-part body of work. The **Living Asset Strategy** series examines what a policy's cash value enables during your lifetime — the dual-use capital mechanics that let the same dollar fund an opportunity while the underlying cash value continues to grow. The **Distribution** series applies this same rigor to the years after retirement begins, where sequence-of-returns risk reverses much of what is true during accumulation. Together they complete the picture that accumulation alone can only begin.*

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Data sources: S&P Dow Jones Indices and Robert Shiller historical S&P 500 total-return series, 1926–2025; Morningstar, “Mind the Gap” (2025); S&P Dow Jones Indices, SPIVA U.S. Scorecard, Year-End 2024; Morningstar active vs. passive U.S. fund-asset data (end-2025); and the published dividend interest rate history of a representative major participating mutual insurer, 1989–2026. Full citations appear in the companion whitepaper.

This brief is for educational and planning purposes. It does not constitute investment, tax, insurance, or legal advice. Individual circumstances vary. Past performance is not indicative of future results. Forward projections are inherently uncertain. Consult qualified professionals before making financial decisions.

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