HIGHLIGHTS

The Number Wall Street Shows You Is Not the Number You Will Retire On

The gap between what the market advertises and what you actually keep — the short version.

*Accumulation series · **The Actual Net Return** · the Highlights — about a 7-minute read, one of four layers.*

TWO NUMBERS · BOTH TRUE

THE MARKET AVERAGED	THE INVESTOR KEPT
10.32%	4.93%
the S&P 500 across 2001–2025	*$332,750 on a $100,000 account, after 25 years*

Across 2001 through 2025 — the quarter-century most of today's savers have been investing through — the S&P 500 averaged **10.32%** a year. On a $100,000 account, a real investor kept **$332,750** of it after twenty-five years. That is an annual return of **4.93%.**

Both are true. Both come from the same market, the same years. One is the number on the brochure. The other is the number you retire on. Everything below is the story of the distance between them — and, once it's on the table, the one structural fix that closes it.

Built from "The Actual Net Return," the full analysis. Every figure below is reproducible from the market's own published returns.

RETURN COMPRESSION

The Four Forces That Close the Gap

Your retirement projection is almost always built on one number — a flat average return. Four forces, working on every dollar every year, stand between that number and the one you keep. Together they are the **Four Forces of Return Compression.**

I

A loss costs more than the next gain returns.

A 37% loss followed by a 37% gain doesn't break even — it leaves you well behind. Averaging the ups and downs gives one figure; *living* through them gives a smaller one. Across the century this **Volatility Drag** cost **1.83 percentage points** a year.

II

Funds quietly trail the index — even if you never mistime a thing.

Most retirement money sits in actively managed funds, and roughly nine in ten of them lose to the index they're measured against. That isn't your fault; it's the record of the management you were placed in. This is **Activity Drag.**

III

A taxed dollar is one that never compounds again.

In a traditional 401(k) or IRA, every withdrawn dollar is taxed as ordinary income — not just the growth, the *entire* balance. At 25%, a quarter of your statement was never yours to spend. This is **Tax Drag.**

IV

A percentage charged every year, on your whole balance.

Fee Drag is the smallest of the four — and the only one you actually choose. Most people never see what they truly pay, because fees come in layers, most of them off the statement. On a single $100,000 account over a working life, the full one-percent load — what you actually pay, measured against paying nothing — works out to about **$135,000 of your own money,** gone a slice at a time.

WATCH THE AVERAGE FALL

What the Math Actually Shows

Watch the market's own advertised average fall through the four forces, on the 2001–2025 window:

STAGE	$100K OVER 25 YEARS
Average Gross — what Wall Street projects (10.32%)	$1,164,870
After Volatility Drag	$812,153
After Activity Drag and a realistic 1% fee	$443,667
After 25% tax — the Actual Net (4.93%)	**$332,750**

And this was not a bad stretch. **Twenty of the twenty-five years finished positive.** The compression isn't caused by the crashes — it's four forces working on every year. Nor was it a cherry-picked window: run all **seventy-six** twenty-five-year windows in the last century, and the gap appears in every single one. The *typical* window kept **6.4%** — that median, not the brochure's 10%, is the honest number to plan against.

THE CALCULATOR RUN

The Actual Net Return

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%	
Starting Basis (NQ only):	$0	Show Key Outputs:	ON			LTCG Rate:	0.0%			Accumulation - All 4 Forces
Starting Year:	2001	Avg Gross ROR:	10.32%	Ordinary Income Rate:			20.0%			
S&P Data Source:	Total Return	Force Drag applied:	-5.39%			State Tax:	5.0%			Ending Balance
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 -- the full four-force run behind 10.32% gross to 4.93% net. $100,000 at age 42 across 2001-2025, all four forces applied, ending balance $332,750.

NAMING IT PLAINLY

What This Actually Is

Growth rate is what the whole industry measures. It is also only half of retirement — and the smaller half. Money isn't saved to *be* a number; it's saved to become income, and what's left becomes legacy. That second half needs an instrument to carry it — and it's time to name the one this whole case points to, plainly.

> *It is a **properly structured whole life policy**, held with a participating mutual insurer.*

The two words that carry the weight are *properly structured* — because most whole life is not built this way, and that difference is the entire reason the numbers above are possible. If you've ever heard whole life criticized, the criticism was aimed at the ordinary design: a policy built to maximize commission and death benefit, sold to someone who was never shown the arithmetic. This is the opposite of that — a minimized base policy with a maximized paid-up-additions rider, funded right up to but under the tax line.

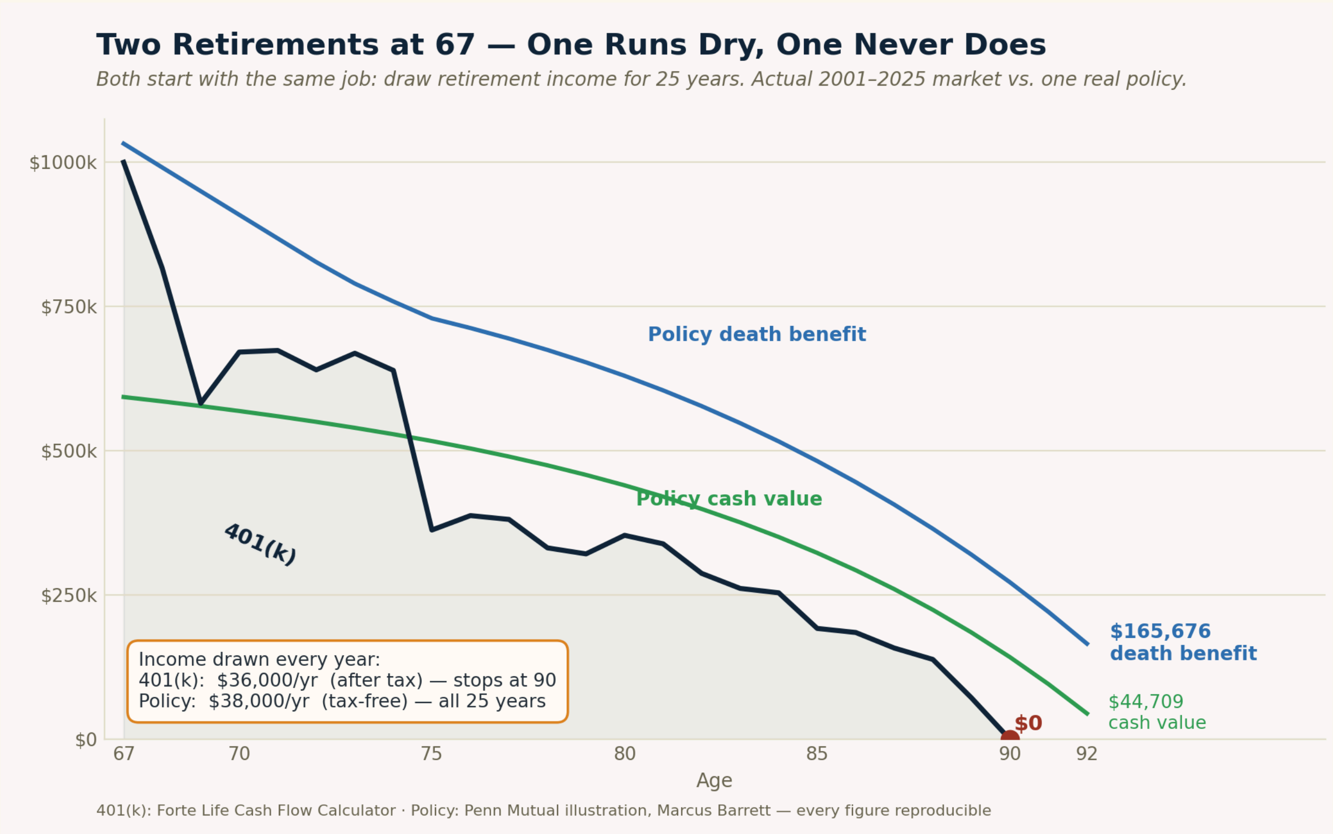
There's a reason the right design is rare, and it doesn't flatter my own profession: **the design that serves the client best pays the advisor least.** In a recent case, the properly structured version paid the agent about **18.8%** of what a conventionally built policy would have paid on identical premium — roughly eighty percent less. That's precisely why badly built policies exist, and why asking how a policy is *designed*, before anything else, is the rational move.

THE ENDING

The Smaller Pile That Paid More

Now look at the ending. Two retirees at sixty-seven, from the same starting place. One holds **$1,000,000** in a 401(k) — $750,000 after the 25% tax waiting on it. The other holds **$593,235** of cash value in a properly structured policy — about twenty percent *less* money.

The 401(k) draws $48,000 a year; after tax, **$36,000** reaches the checking account, and run through the real 2001–2025 market it runs dry in the **twenty-fourth year — at ninety, it's gone.** The policyholder, starting with less, draws **$38,000 a year, tax-free** — more in the pocket, every year, for all twenty-five. It never runs dry. And at ninety-two it still leaves **$165,676** behind.



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.*

The smaller pile delivered more spendable income, for more years, and left a legacy the larger one couldn't.

The market has to 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

Certainty · Liquidity · Legacy

			Force One *Volatility Drag*		Force Two *Activity Drag*		Force Three *Tax Drag*		Force Four *Fee Drag*		
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%	
Starting Basis (NQ only):	$0	($48,000)	Show Key Outputs:	ON			LTCG Rate:	0.0%			Market Only - Variable Rate
Starting Year:	2001	0.0%	Avg Gross ROR:	10.32%			Ordinary Income Rate:	20.0%			
S&P Data Source:	Total Return		Force Drag applied:	-9.28%			State Tax:	5.0%			Ending Balance
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.

COUNT IT FIRST

The Safe Money You Already Hold

That was the whole nest egg. The same mistake sits, quietly, in the *safe* money — the bonds and cash every sound plan already holds. You may not think of yourself as a bond owner, but a real slice of your portfolio is already there on purpose — for someone in their forties, roughly a quarter of everything.

Put $100,000 of it the ordinary way — bonds and cash — and after the fund fee and the income tax it owes every year, it grows to about **$230,879** over twenty-five years. Hold that same $100,000 in a properly structured policy's cash value instead — same safety, still reachable on demand — and it grows to **$338,635,** tax-free.

SAME SAFE DOLLARS · TWO PLACES

$100,000 SAFE SLEEVE · 25 YEARS	AFTER 25 YEARS
Bonds and cash, as ordinarily held	$230,879
Policy cash value, tax-free	**$338,635**

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

Read it net to net, because that's where the “but whole life earns less” reflex breaks: the bond's headline 5.4% keeps only 3.78% after its fee and the tax it owes every year, while the policy's 5.00% is already net, and tax-free. One detail makes it click — the dividend funding that cash value is itself produced largely by high-grade bonds inside the insurer's own account. It's 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 isn't underperforming because it was invested badly. It's underperforming because of *where it's located*.

(What that same dollar can do once it's put to work — borrowed against while it keeps compounding — is the subject of the companion **Living Asset Strategy** *analysis.)*

WHERE TO GO DEEPER

This is **the Highlights** of Forte Life's **Accumulation** series, *The Actual Net Return* — one of four layers that go progressively deeper, so you can stop here or keep going as far as you want:

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

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

Where to Begin

Read the full story → *The Two Retirements.* The complete article walks through the gap with real numbers and the two retirements told side by side — a few minutes, and the clearest version of the case.

Or start with your own numbers → book a Capital Coordination Session. 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.

BOOK A CAPITAL COORDINATION SESSION

Start with your own numbers

A focused, one-on-one session built around your actual accumulation, income, taxes, and legacy — and how they work as one system.

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SCAN TO BOOK

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