



FINANCIAL PREPAREDNESS

"One of life's most painful moments comes when we must admit that we didn't do our homework, that we are not prepared." ~ Merlin Olsen

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Younger Americans Face a Grim Financial Future

I often mention the crushing financial burden younger generations (especially Gen X) face. In this issue, I explain the reasons.

First, Obamacare destroyed the health insurance industry, resulting in very high prices and virtually no choice. The government mandate to provide coverage for marginal or unnecessary but pricey services significantly increased the cost. Because health insurance is no longer affordable, many people who need health care—and they need it more than ever due to Big Food, (ironically) Big Pharma products, and poor lifestyle choices—are uninsured and can't pay for it, so they get on Medicaid and obtain more of their care from (expensive) hospital emergency rooms, which pass the cost on to their insured or self-pay patients. [Due to very high deductibles and copayments](#), those who can still obtain and afford health insurance not only have to pay for health insurance (which gets them virtually nothing), but their own health care as well as that of indigents. It's an interrelated and self-reinforcing situation that results in people who are sick (or dead) and poor. Perhaps that was the goal all along.

Second, the government's response to COVID destroyed at least 100,000 small businesses, perhaps as many as 200,000. All of that equity, goodwill, etc.--the result of often decades of hard work, sacrifice and risk-taking—represented most of the net worth of hundreds of

thousands of people, and millions more depended on them for a job. The vast majority of those businesses will never return, so all of that wealth was permanently wiped out.

I think that was also by design. (One of the books in my [tsundoku](#) is [The War on Small Business: How the Government Used the Pandemic to Crush the Backbone of America](#).)

You see, small business owners are hard to control. They often aggressively try to minimize their income taxes, often to the point of tax evasion to some degree. They tend to be feisty, don't like government regulation and are usually politically conservative.

It is far easier to control large corporations (and thus their employees). Corporate behemoths such as AT&T and Microsoft can put their employees into an HMO plan where “primary care providers” can push Big Pharma products to them. They can enroll them (increasingly, automatically) in tax-*disadvantaged* (my take) 401(k) plans, where they can be steered into government bonds, Big Tech and Pharma stocks, and ESG funds. They can be required to attend DIE training (yes, I know the acronym is really DEI) or get “vaccines” that make you sick ([or dead](#)) and *more likely* to get COVID.

Taxes are another huge financial burden for working-age people, especially federal income taxes. Not only do federal tax rates go as high as 32%, 35% or 37%, there are additional, little known or understood taxes, such as the Alternative Minimum Tax, the additional Medicare tax on earned income over \$200,000, and the 3.8% Net Investment Income Tax on interest, dividends, capital gains and annuity income if your income exceeds \$250,000.

Inflation is yet another large financial burden on younger generations. [Recently, the real rate of inflation reached about 17%, and even now it's around 12%](#). Because everything is increasingly expensive, and real wages have generally been stagnant for decades, it has been virtually impossible to contribute any money to an investment portfolio where it could grow. And if you're trying to save for a 20% down payment on an [exorbitantly-priced house](#), inflation and taxes will reduce the real value of your savings faster than you can grow it.

The cost of cars with an internal combustion engine have also become prohibitively expensive, in large part due to the large subsidies that the companies that make them have to pay to electric vehicle manufacturers, as well as the war on fossil fuels.

After decades of throwing hundreds of billions of dollars at higher education to make it “more affordable,” the federal government has made college unaffordable for many working-age families. You could easily spend between \$100,000 and \$160,000 just to obtain a bachelor's degree. I would argue that the cost/benefit ratio of a college degree has never been higher.

Looking ahead, younger generations face other significant costs that haven't been considered or discovered yet. The first is the potential for a massive stock market collapse once investors realize that the vast majority of the companies they own have become [de facto social justice nonprofits](#).

The bond market could also collapse if the federal government continues to spend like a drunken sailor and the Fed keeps enabling it by printing dollars to buy its bonds. High inflation and taxes would destroy the value of bonds, and hyperinflation has wiped out the middle class around the world for millennia.

Real estate is another market that is ripe for a long and brutal bear market, especially housing and commercial real estate.

Many Baby Boomers will need long-term care, but won't have the financial means to pay for it, especially since that generation tends to live for the present moment. Private nursing homes are very expensive, so if a family wants to keep an elder out of Medicaid-funded nursing homes, much of this financial burden will fall on Gen X.

Finally, the SECURE Act (Setting Every Community Up for Retirement Enhancement) really did “set up” younger generations by changing the period over which they could take required minimum distributions from an inherited IRA from their remaining life expectancy to just ten years after the death of the IRA owner. This will result in “bunching up” taxable income during their peak earning years when they're in a high marginal income tax bracket.

In closing, I should point out that older generations generally *have no idea* how much financial stress younger generations are under, and frankly, most of them couldn't care less. If they did, they would not have spent decades voting for politicians who acted fiscally irresponsibly and destroyed much of the economy. All of this will lead to [a coming generational storm](#), which will be the subject of a future issue.

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