2019 Forecasts

- The US stock market will lose more than 25% in 2019
- Geopolitical concerns are worrisome, but our enormous debt is a much bigger problem. Something will break.
- Baby boomers are in jeopardy and don't know it. The majority should run to safety (cash). Those who don't will suffer unrecoverable losses.
- Target date funds are not serving the best interests of their 10 million participants .

"**If something cannot go on forever**, it will stop," said Herbert Stein, a leading conservative economist who helped make policy in the early 1970s. The current stock market buzz is that "volatility" is to be expected going forward. That's the manifestation of fear. We know this bull market will end, but no one knows when or how bad the pain will be, although services that claim they know are selling like crazy.

I don't claim to have a crystal ball, but I do have a formula that always works for forecasting returns. It's currently forecasting a 28% loss if P/E ratios fall from their current lofty 30 down to their historical 20 level.

But what will bring P/Es down? The current concerns are geopolitical, like the trade war with China, but these probably won't move the needle much. I can think of 2 things that should move the needle: our outrageous debt and 75 million Baby Boomers. My article on our current debt is my most read article by far and I have authored hundreds. We are in deep doo-doo and doing nothing about it. Something will break.

Also, I'm concerned about our Boomers. They are taking on way too much risk at the wrong time. There are only 2 outcomes and neither is pretty. If Boomers move to safety, as I think they should, stock prices will plummet. If they remain in their current high risk position, they will go broke in the next market correction and become dependent on society.

So my outlooks are scary and reinforce my ongoing concerns about target date funds (TDFs). I've been managing TDFs since 2008 in the SMART TDF Indexes, and have lived through the marketing hype that has brought more than $2 trillion to the wrong players. Shockingly, advisors are breaching their duty of care. So I wrote a book about an ideal evolution in TDFs that envisions this:

" Sometime in the future a remarkable target date fund will emerge with the following characteristics:

- Beneficiaries will be protected as they pass through the Risk Zone that marks the transition from working life to retirement.
- Fiduciaries will demand and get the best, and they'll know what "best" means. Fiduciaries will honor their Duty of Care. This will realign the interests of all involved, so managers will provide prudent product.
- Glide paths will be U-shaped, de-risking as the target date nears, and re-risking in retirement. De-risking protects in the Risk Zone. Re-risking extends the life of investment savings.
- The Oligopoly (Vanguard, Fidelity & T. Rowe) will adapt or go away.
- Personalized target date accounts will replace one-size-fits-all target date funds. As a result, recordkeepers will become key to execution.
- Individual investors will lead the way by adopting glidepath concepts and applying them to their unique circumstances. IRAs will be much improved – safer and smarter."

We'll all come through the next stock market correction, but some – especially older folks – could be financially crippled for life.