

December 31, 2022

### **Americans Believe They Need \$1.25M to Retire**

A new study by Northwestern Mutual finds that people now feel they need \$1,250,000 for retirement. At the same time the report found that the average retirement savings dropped 11% from last year's \$98,800 to \$86,869. In 2020 it was \$87,500.

The report also found that Americans are extending their working age to 64 from 62.6 last year and one-third expect to live to 100 with another third predicting there will be a 50% chance they will outlive their savings. Even so, the report found that 36% have not proactively addressed the possibility of outliving their savings. *Financial Advisor Magazine 12/22 p. 11.*

If you are looking for a retirement plan, we suggest you start saving as soon as possible and make your money work as hard as you do.

### **Joseph's Dream Comes True**

The federal and state governments had a good pandemic, enjoying the gusher of tax revenue and federal largesse. But those fat years are about to end and the political class in most places is not ready for it. Remember this story? It was the Pharaoh's dream that Joseph interpreted in the Bible about the fat cows and lean cows. Well, 3,500 years later, our Pharaoh did do as Joseph's Pharaoh did by building storehouses in the fat times in order to help in the lean times which are now here.

The latest evidence of the emergence of lean times came in the federal revenue reported for October and November, the first two months of the 2023 fiscal year. Revenue rose 1% in contrast to a 21% increase for all of fiscal 2022. Individual taxes rose 4% but corporate tax revenue fell 6% and other revenue fell 21%.

State revenues are also headed for an adjustment, especially in states that built in new structural spending obligations during the pandemic. California now faces a \$25 billion deficit. The New York Comptroller warns about potential deficits. New York City is restricting services to residents.

One irony is that high-tax progressive states benefitted from the capital gains income of the high earners they claim to despise; capital gains revenue is sure to plunge given the decline in stock prices this year. Corporate tax revenue is also likely to slow as earnings come under pressure.

All of this was predictable since the good times were kept afloat by easy money courtesy of the Federal Reserve and a highly progressive tax code. Federal tax receipts as a share of GDP hit a near record 19.6% in fiscal 2022 and Congress spent like it would never end. Well, it always does, and that is before the widely predicted recession in 2023. *The Wall Street Journal 12/19/22 p. A16.*

### **"Tax the rich. Tax the rich. Tax the rich. God forbid the rich leave"**

So said Governor Andrew Cuomo in February 2019. Judging by the hundreds of thousands of New Yorkers who left during these past 2½ years, the rich have left.

A New York City Independent Budget Office report in December 2022 showed that the number of taxpayers who earned between \$1,000,000 and \$5,000,000 declined 11% in 2020 from 2019. According to IRS data New York County lost \$14.5 billion in adjusted gross income from out-migration in 2020. This was before New York taxes were raised on individuals making more than \$1,000,000. The combined NY & NYC top rate is now 14.8% compared to 12.7% previously.

Mayor Adams shot down a new tax increase, and said “to continually attack high earners when 51% of our taxes are paid by 2% of New Yorkers - it blows my mind when I hear people say ‘so what if they leave!’” This is nice to hear, but a little late!

Two years after Governor Cuomo made his statement, more of the rich left. *The Wall Street Journal* 12/19/22 p. A16.

As always, if you have any questions about these or any other matters, do not hesitate to call us.