



*Independent Registered Investment Adviser  
and Financial Fiduciary*

**HIGH NET WORTH and TRUSTS-ESTATES**

**INVESTING OVERVIEW**

**2023**

## HIGH NET WORTH and TRUST- ESTATE INVESTING

**Global stock and bond return forecasts are 8.0% and 4.6% annually from 2023 to 2032, before inflation, fees, and taxes.<sup>1</sup>**

Both estimates are notably lower than their 10.2% and 5.0% averages from 1926 to 2022,<sup>2</sup> and we believe these levels are prudent under the current circumstances. Accordingly, investors are encouraged to allocate at least 50% of their publicly held assets to conservative or moderate portfolios. **Additionally, many accounts should be managed in a passive, low-cost manner.** The reasons are: 1) most actively managed portfolios underperform investable indices over the long-term due to perpetual subjectivity and egregious annual fees; 2) there is a higher level of risk and uncertainty of investment returns; 3) administrative functions and expenses are increased.

**Midwest customizes portfolios mostly with Vanguard funds based on client conservative, moderate, or aggressive goals.**

**The reasons are derived from the following observations:**

- ❖ Over the past sixteen years the majority of Vanguard's funds outperformed their peer-group averages<sup>3</sup> - and this should continue.
- ❖ Their research shows that properly balanced portfolios earned similar inflation-adjusted returns during both expansions and contractions from 1926 to 2009.<sup>4</sup>
- ❖ Most portfolios are highly diversified and tax efficient, and can be tailored to owner-beneficiary circumstances.
- ❖ Their direct and non-direct fee control structure is impressive and transparent.
- ❖ Their services are considered among the best and safest with respect to fiduciary, compliance, and other responsibilities.

**Midwest manages all portfolios in an unbiased, cost efficient, and easy-to-understand manner.**

**The return difference on an efficiently managed \$1,000,000 million low-cost vs. high-cost portfolio from ten to forty years can be \$150,000 to \$2,500,000 or more (see chart on page 2).**

**Contact us for a telephone or video conference, or meeting (\$250,000 minimum please).**

<sup>1</sup> Benz, C. *Experts Forecasts Long-term Stock and Bond Returns: 2023 Edition*, Morningstar.com, January 24, 2023, and others.

<sup>2</sup> Vanguard 2017 economic and market outlook: *Stabilization not stagnation*, December 2016, pp. 20-25, for 1926 to 2016 period. From 2017 to 2022 various indices compiled by Midwest Asset Management, Inc.

<sup>3</sup> Vanguard performance report: *Indexing | Vanguard Advisors*, 10 years to September 30, 2021, p. 4, and others. 2022 Edition pending.

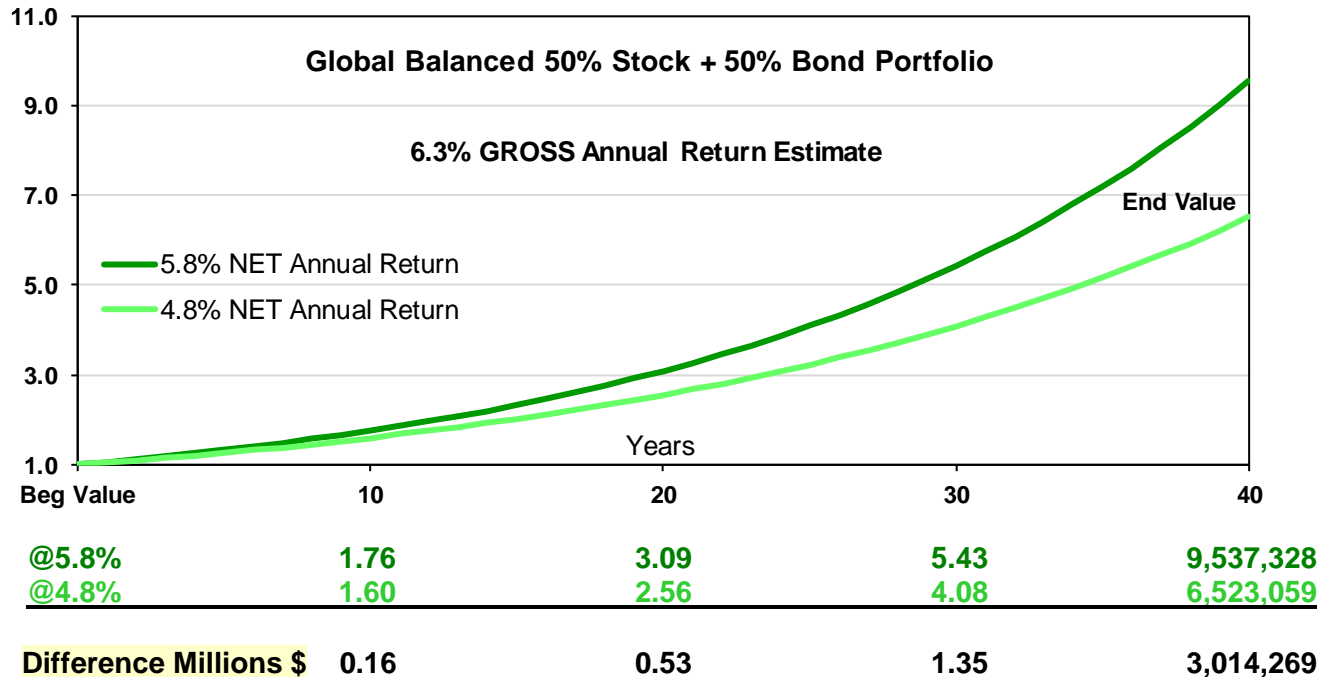
<sup>4</sup> Vanguard performance report: *Recessions and balanced portfolio returns*, October 2011, p. 2.

## EXPENSES DO MATTER

To create the expected 6.3% balanced (50% stock + 50% bond) annual forty-year return below, ten-year estimates were used as a base. For lack of viable data, the same assumptions were used for the next thirty years. See footnotes notes on page 4.

Midwest passive fees range from 0.1% to 0.5% depending on size and complexity, and external fees are generally less than 0.2%. Accordingly, Midwest’s aggregate expense estimates are 0.5%.<sup>5</sup> Peer aggregate expenses are conservatively estimated at 1.5% as transaction and other costs can be opaque.<sup>6</sup> As you can see, **the return on the \$1,000,000 low-cost portfolio is \$3,014,269 higher when all else is equal.**

### GROWTH OF \$1,000,000



<sup>5</sup> Depending on passive portfolio size (\$250,000 minimum), this will range from 0.3% to 0.7%.

<sup>6</sup> Depending on active or passive style and portfolio structure (comingled or separately managed) this will generally range from 1.0% to 3.0%.

**PAST PERFORMANCE DOES NOT GUARANTEE FUTURE SUCCESS**, and all data are estimates. © 2023 Midwest Asset Management, Inc. Various sources and methods were used to create the forty-year assumptions.

## PORTFOLIO STRUCTURE COMPARISON High Net Worth and Trusts-Estates Accounts

% Annual Fees Est	MIDWEST*	FUND Sample**	SMA Sample***
	passive	passive & active	passive & active
<b>Global Forecasted Annual Balanced Return = 5.8%</b>		0.5	
Transaction charge +		0.5	0.5
Fund management charge +	0.1 0.1		
Adviser management charge +	0.3	1.0	0.5
<b>% Annual Fees Est Total =</b>	<b>0.5</b>	<b>2.0</b>	<b>1.0</b>
Fiduciary responsibility required	yes	?	?
Personal adviser experience	high	?	?
Indirect fees	none	?	?
Transparency	high	?	?
Probability of outperforming peers over rolling ten-year periods	high	?	?
Probability of above-average volatility	low	?	?
Probability of above-average returns in up markets (with all else equal)	high	?	?
Probability of above-average returns in down markets (with all else equal)	high	?	?
Basic net tax efficiency	high	?	?
Advanced net tax efficiency	high	?	?
Integrity of custodian	high	?	?
Safety of custodian	high	?	?

**\*Midwest sample = \$1,000,000 portfolio. External transaction (commissions and markups/markdowns) and fund management expenses are generally meaningfully below their stated 0.1% each. Midwest management expense as adviser is 0.1% to 0.5%, depending on size and complexity. Assets are held at Vanguard or segregated at another custodian.**

\*\*Fund Sample = Mutual, Exchange Traded, and Hedge Funds.

\*\*\*SMA Sample = Separately Managed Accounts.

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[Contact us for details.](#)

## ARE YOU GETTING YOUR FAIR SHARE OF THE MARKET RETURNS?

### Fair Share Market<sup>SM</sup> Analysis For High Net Worth and Trusts-Estates

#### Return / Risk Comparative Example (50% Stock + 50% Global Bond Balanced)

\$ Amount Invested	=	\$1,000,000	\$1,000,000
# Years	=	40	40
<b>% FORECASTED GROSS ANNUAL RETURN</b>	=	<b>6.3</b>	<b>6.3</b>
<b>% Aggregate Investment Expenses</b>	=	<b>0.5</b>	<b>1.5</b>
RIA, Fund, Stated & Opaque Transaction (commissions and/or markups/markdowns), Etc.		Midwest	Peer
<b>% NET ANNUAL RETURN</b>	=	<b>5.8</b>	<b>4.8</b>
<b>% Midwest Advantage</b>	=		<b>1.0</b>
<b>\$ Total Gross Gain</b>	=	<b>10,516,767</b>	<b>10,516,767</b>
<b>\$ Owner Gain</b>	=	<b>8,537,328</b>	<b>5,523,059</b>
<b>\$ Midwest Advantage</b>	=		<b>3,014,269</b>
<b>% Owner Gain</b>	=	<b>81</b>	<b>52</b>
<b>% Midwest Advantage</b>	=		<b>29</b>
% Owner Capital Allocated	=	100	100
% Owner Capital at Risk	=	100	100
<b>% Forecasted Annual Inflation</b>	=	<b>2.5</b>	<b>2.5</b>
<b>% NET ANNUAL INF-ADJ RETURN</b>	=	<b>3.3</b>	<b>2.3</b>
<b>% Midwest Advantage</b>	=		<b>1.0</b>

**SOURCES: Risk Factor Components** - By John Bogle, as cited in *Why Mutual Funds are Lousy Long-Term Investments* interview with Robert Kiyosaki, www.yahoo.com, June 27, 2006.

**Return Ratio Calculations** - By Midwest Asset Management, Inc. as of January 1, 2023.

**NOTES: Expected Return and Inflation %** - Various sources and methods were used to calculate the consensus return and inflation assumptions, and ARE FOR EDUCATIONAL PURPOSES ONLY. For example, due to a lack of clear data, ten-year estimates were used for the forty-year forecasts. Also, as a reference, from 1926 to 2022 the balanced return and inflation were about 8.0% and 3.0%. **The reader may also provide other \$ amounts, periods, forecasts, and expected expenses and inflation.**

**Expected Expenses %** - Actual global annual aggregate portfolio management expenses can range from 0.1% to 3.0% or more, depending on many factors. Most plans can reduce expenses by 25% to 50% or more to meaningfully increase returns and simultaneously decrease risk.

**PAST RESULTS DO NOT GUARANTEE FUTURE SUCCESS.** © 2023 Midwest Asset Management, Inc.

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*Placing the Probability of Investment Success in Your Favor<sup>SM</sup>*