

EPISODE 566

What If You Only Invested at Stock Market Peaks?

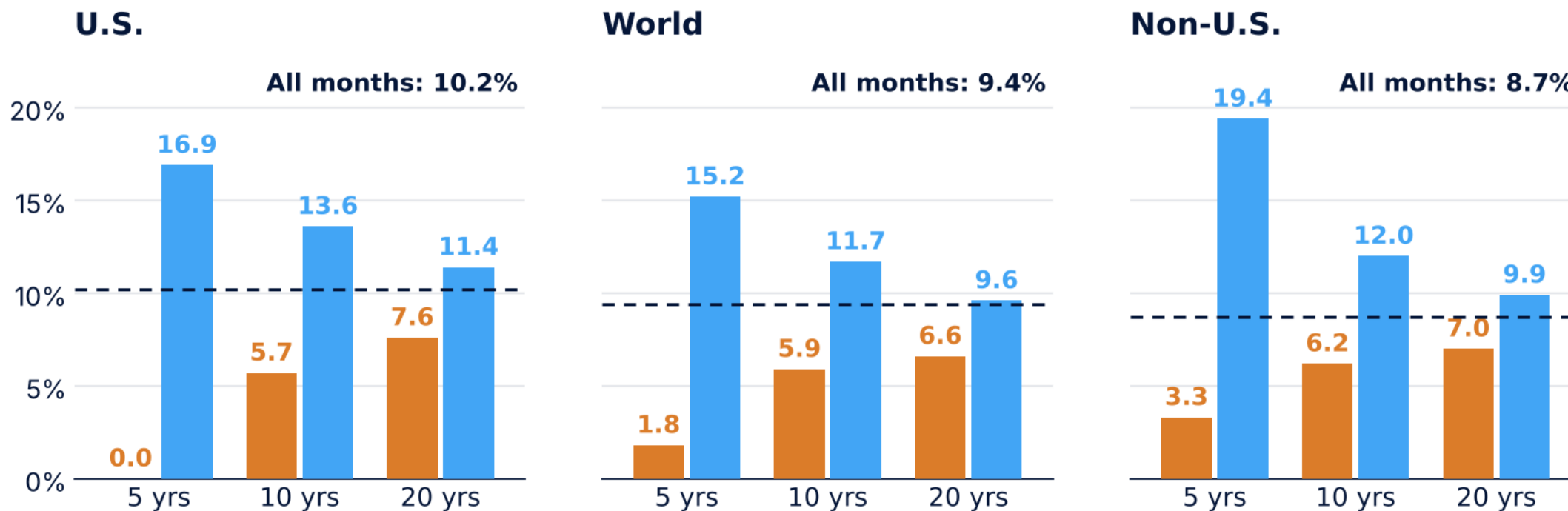
Money for the Rest of Us • David Stein

moneyfortherestofus.com

Buying at the Worst Possible Time

Average annualized return after the entry point, 1970-2026

■ Bought at a bear-market peak — Average of all months ■ Bought at a bear-market bottom



Source: MSCI net total return in U.S. dollars; MFTROU calculations. Nominal returns.
Bear market = a decline of 20% or more; peaks and bottoms identified in hindsight.

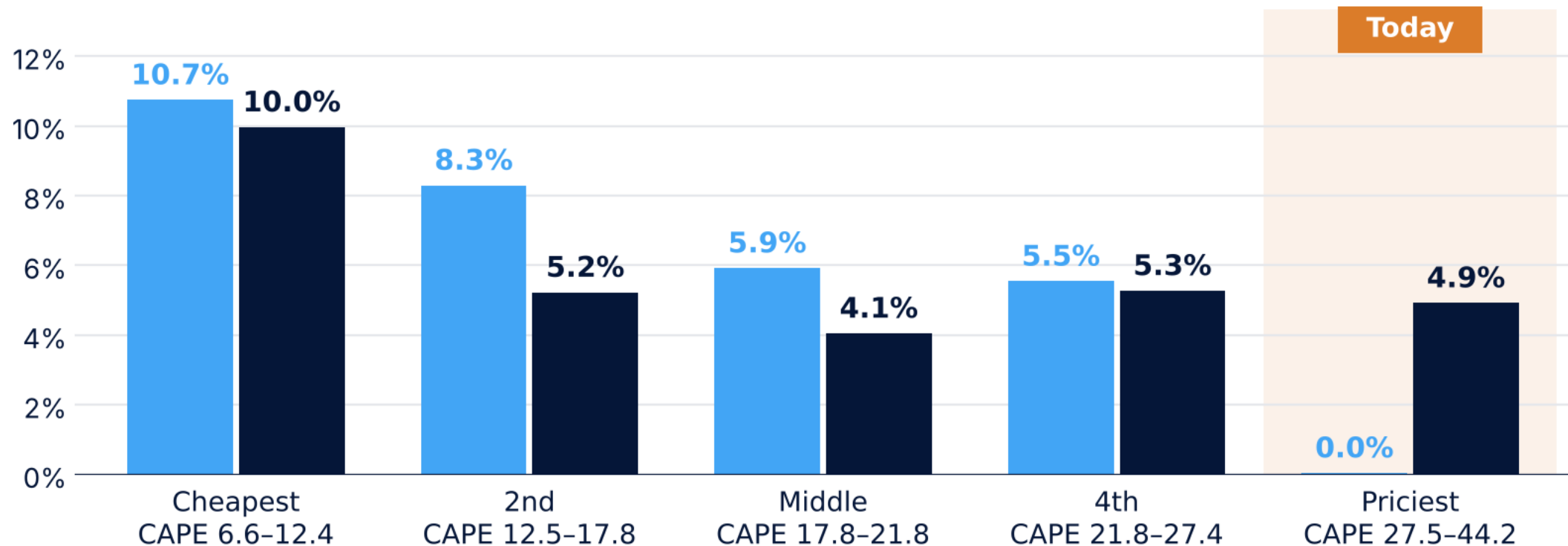
U.S. Stocks Since 1950: CAPE and Returns

S&P 500 annualized real return by starting CAPE quintile

● Next 10 years

● Next 20 years

As of Oct 2026 • Current CAPE **40.7**

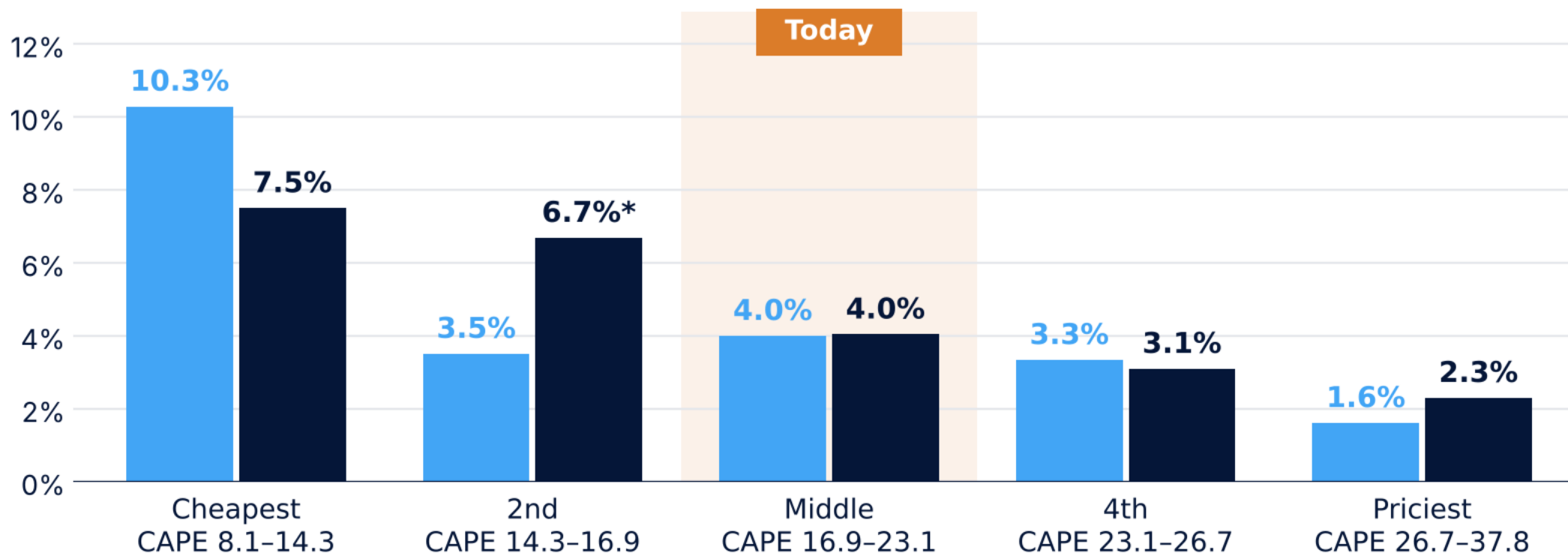


Source: Robert Shiller, S&P real total return and CAPE, 1950-2026.
10-yr results through Oct 2016; 20-yr through Oct 2006.

Non-U.S. Stocks: CAPE and Real Returns

Annualized real return by starting CAPE quintile, 1979-2026

● Next 10 years ● Next 20 years As of Sep 2026 • Current CAPE **20.4**



Source: MSCI net total return (USD) and CAPE, deflated by U.S. CPI.

*Only 5 starting months. Results through Sep 2016 (10-yr), Sep 2006 (20-yr).

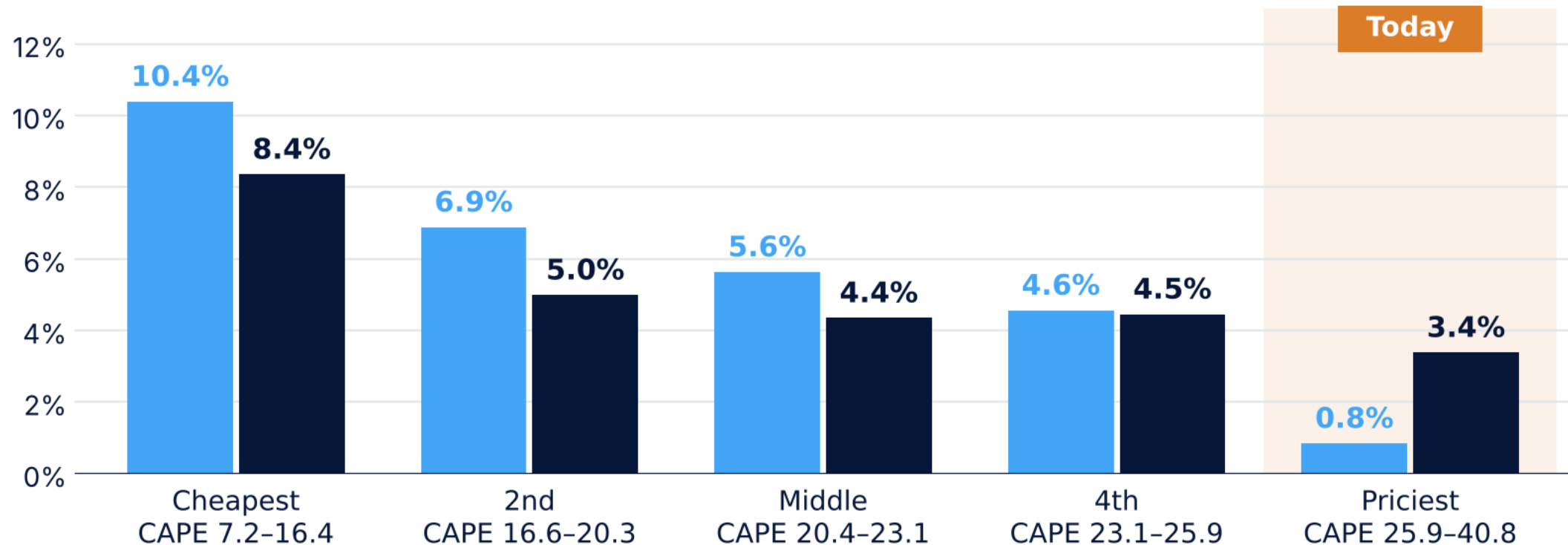
World Stocks: CAPE and Real Returns

Annualized real return by starting CAPE quintile, 1979-2026

● Next 10 years

● Next 20 years

As of Sep 2026 • Current CAPE **30.4**



Source: MSCI net total return (USD) and CAPE, deflated by U.S. CPI.
10-yr results through Sep 2016; 20-yr through Sep 2006.

Valuation Is Only One Driver

Sources of 10-year annualized return, Oct 2016 - Sep 2026

Index	Dividend yield	Earnings growth	Valuation change	Currency impact	Unexplained	10-year return
U.S. P/E 23.2 → 25.4	1.61%	12.42%	+0.91%	0.00%	-0.19%	14.74%
World P/E 21.5 → 22.7	2.06%	10.73%	+0.54%	-0.33%	-0.19%	12.81%
Non-U.S. P/E 19.4 → 17.7	2.99%	8.51%	-0.96%	-0.98%	-0.29%	9.27%

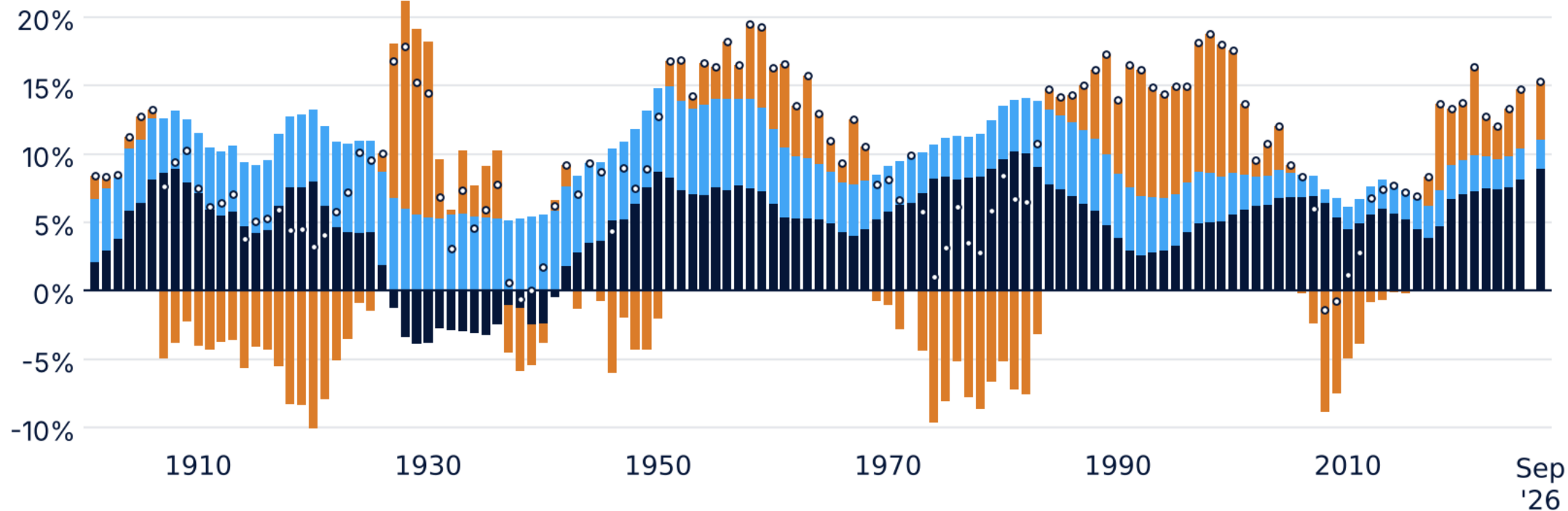
Earnings growth drove most of the return. Valuation moved it by less than a point a year.

Source: Asset Camp calculations from MSCI data. Nominal returns in U.S. dollars.

What Drives 10-Year Stock Returns

S&P 500 annualized nominal return by source, 1901-2026

■ Earnings growth ■ Dividends ■ Valuation change ● 10-yr total return

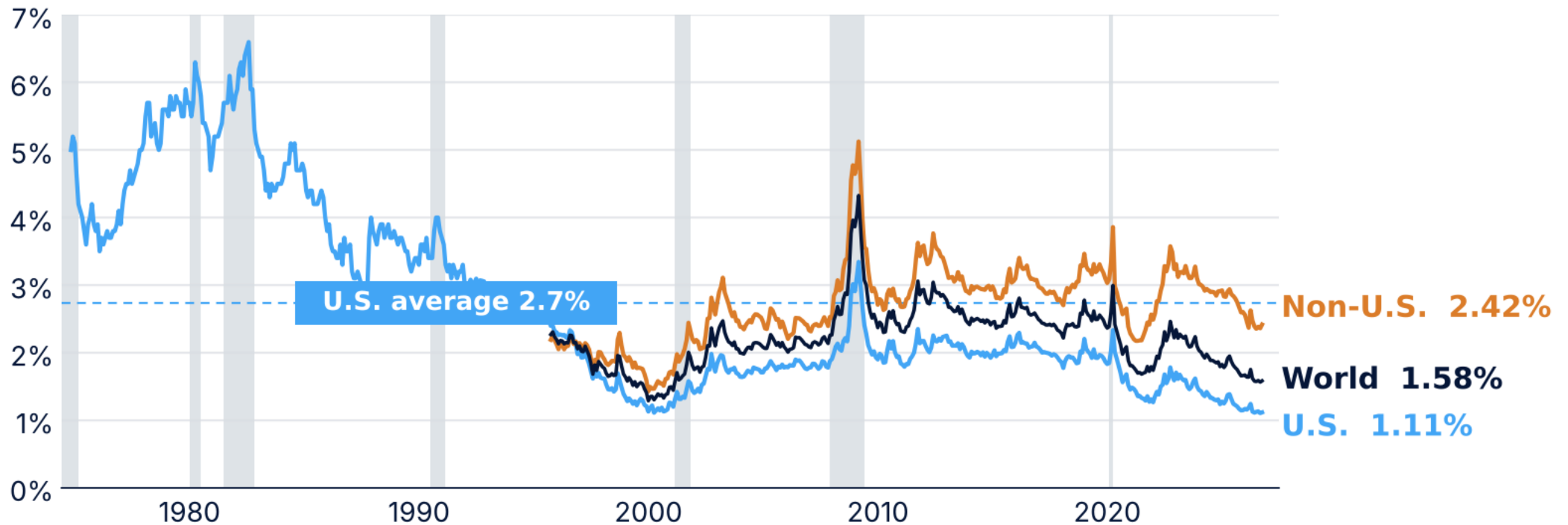


Source: Robert Shiller data; MFTROU calculations. Format after Crestmont Research.
10-yr periods ending each Dec, plus Sep 2026. Earnings = 10-yr avg; valuation = CAPE.

Dividend Yields Near Record Lows

MSCI dividend yield: U.S., non-U.S., and world stocks

Sep 2026 • U.S. **1.11%** • Non-U.S. **2.42%** • World **1.58%**

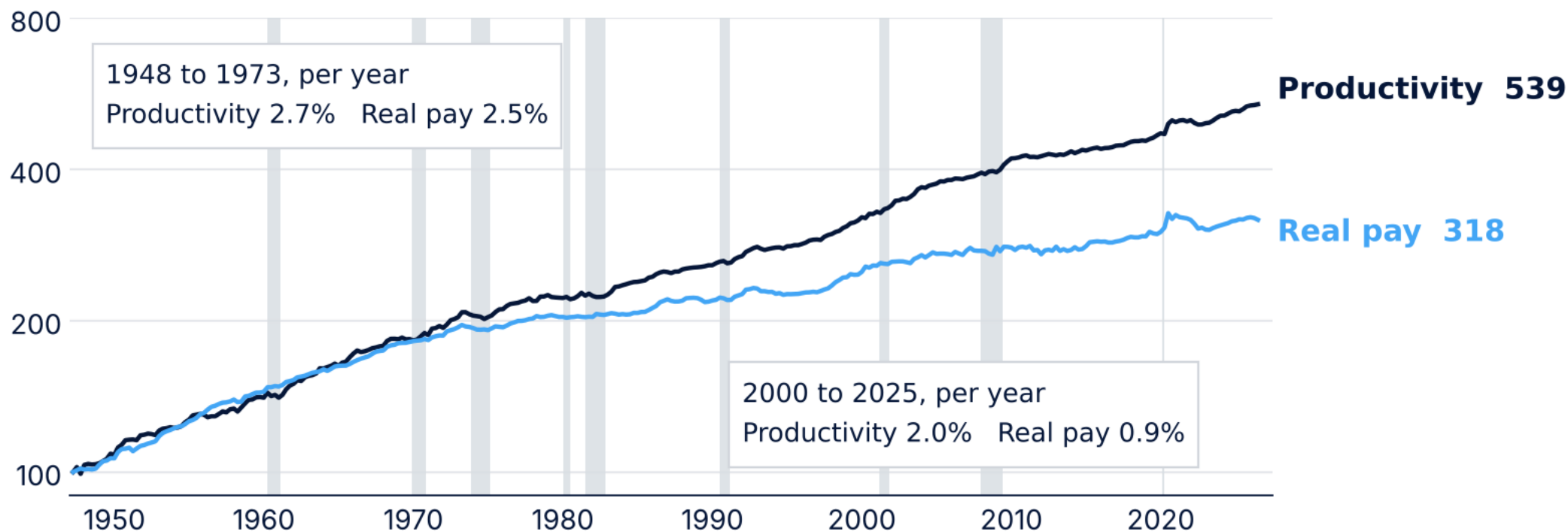


Source: MSCI via Asset Camp. U.S. from Oct 1974; ACWI and ACWI ex USA from Sep 1995.
Shading = U.S. recessions.

Productivity Up, Pay Lagging

U.S. nonfarm business: output per hour vs. real hourly pay (1947 = 100)

Q2 2026 • Productivity • 539 • Real pay • 318

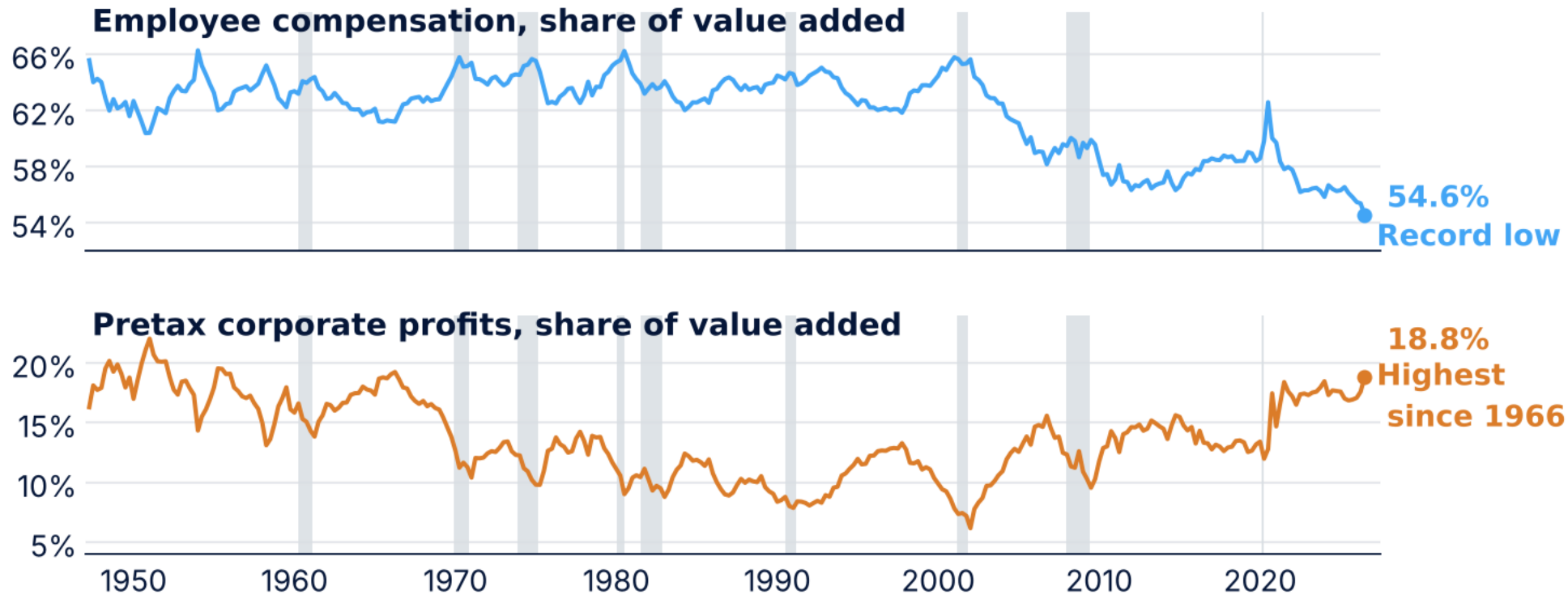


Source: U.S. Bureau of Labor Statistics, Productivity and Costs, via FRED. Log scale.
Real hourly compensation deflated by consumer prices. Shading = U.S. recessions.

Where the Gains Went

U.S. nonfinancial corporations: how value added is divided

Q2 2026 • Labor share • **54.6%** • Profit share • **18.8%**



Source: U.S. Bureau of Economic Analysis, NIPA Table 1.14, via FRED. Shading = U.S. recessions.
Shares of nonfinancial corporate gross value added; profits include IVA and CCAAdj.

What's Inside VTIVX

Vanguard Target Retirement 2045: 80% stocks, 20% bonds and cash

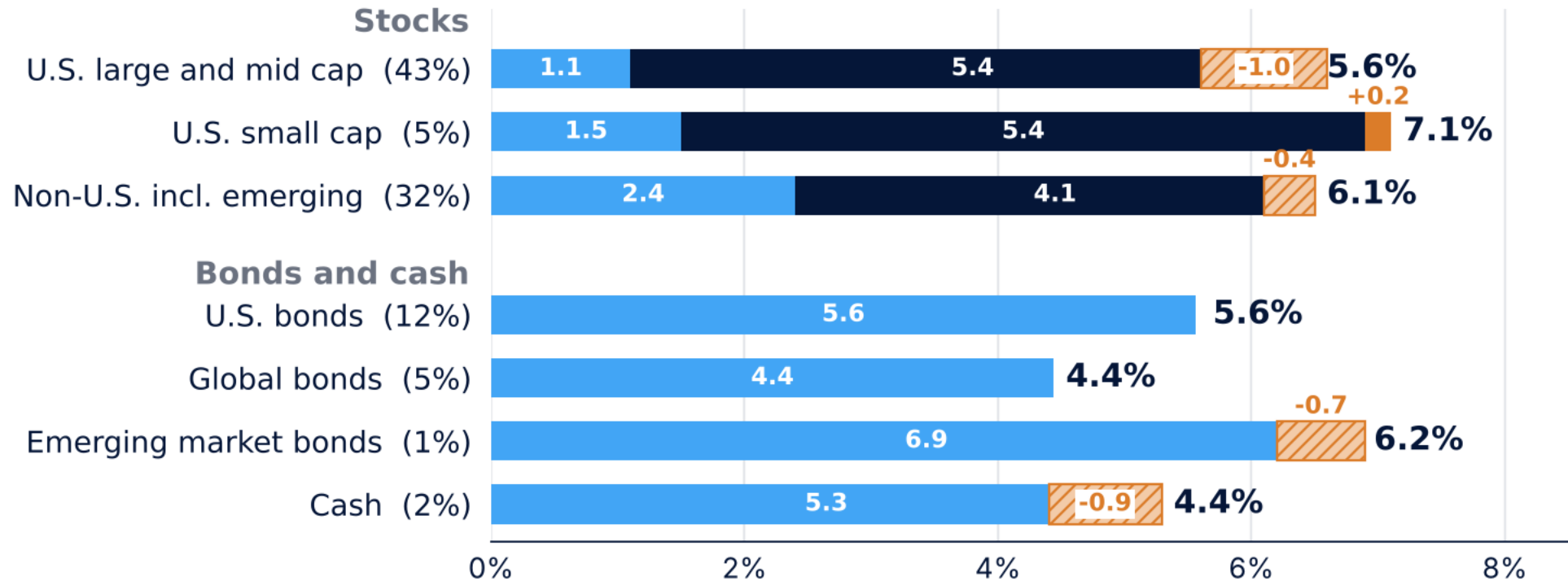
	Share	Expected return	Volatility
Stocks	80%		
Non-U.S. incl. emerging markets	32%	6.1%	17.0%
U.S. large and mid cap	43%	5.6%	15.5%
U.S. small cap	5%	7.1%	21.0%
Bonds and cash	20%		
U.S. bonds	12%	5.6%	5.5%
Global bonds	5%	4.4%	6.0%
Cash	2%	4.4%	0.5%
Emerging market bonds	1%	6.2%	10.5%
Total portfolio	100%	5.8%	12.9%

Source: Money for the Rest of Us portfolio analysis tool; Vanguard fund holdings. Expense ratio 0.08%. Expected returns are 10-year estimates; volatility is annual standard deviation.

Where the 5.8% Comes From

Building blocks of each 10-year expected return, September 2026

■ Cash yield ■ Earnings growth ■ Valuation change or adjustment



Source: "How We Set Expected Returns," Money for the Rest of Us. Stocks: yield + earnings growth + valuation change. Bonds: starting yield less expected losses. Cash: 10-yr Treasury less term premium. Hatched = subtracted.

How Far It Could Fall

VTIVX: two statistical estimates and three past declines

EXPECTED RETURN

5.8%

a year; 3.3% after inflation

PROBABLE RANGE

2.3% to 9.2%

a year over 10 years

VOLATILITY

12.9%

annual standard deviation

Scenario	Decline	Time to recover
Bad year Expected return minus 2 standard deviations	-20.1%	About 48 months
Very bad year Expected return minus 3 standard deviations	-33.0%	About 86 months
2008 financial crisis Oct 2007 to Feb 2009	-45.3%	43 months
2020 Covid crash Dec 2019 to Mar 2020	-17.6%	4 months
2022 rate shock Dec 2021 to Sep 2022	-23.4%	17 months

Source: Money for the Rest of Us portfolio analysis tool. Past declines use the same mix, rebalanced monthly.

Recovery after a bad year assumes the expected return thereafter. None of these is a forecast.

\$50 a Week for 21 Years

Vanguard Target Retirement 2045 (VTIVX): simulated ending values

INVESTED

\$54,650

\$2,600 a year

MEDIAN OUTCOME

\$94K

half above, half below

10TH PERCENTILE

\$59K

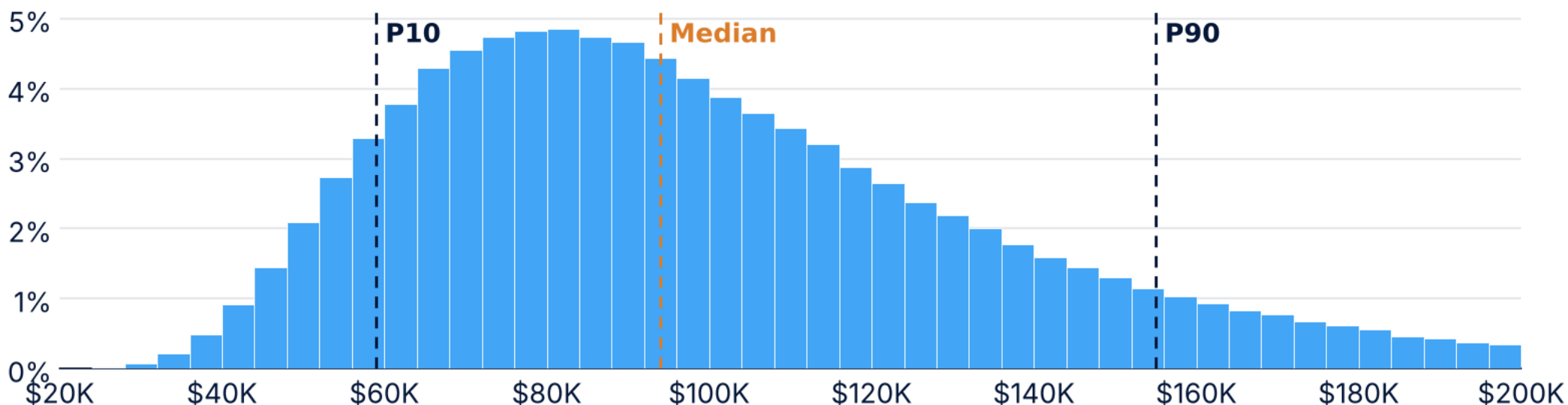
a poor two decades

90TH PERCENTILE

\$155K

a strong two decades

Share of simulations by ending value

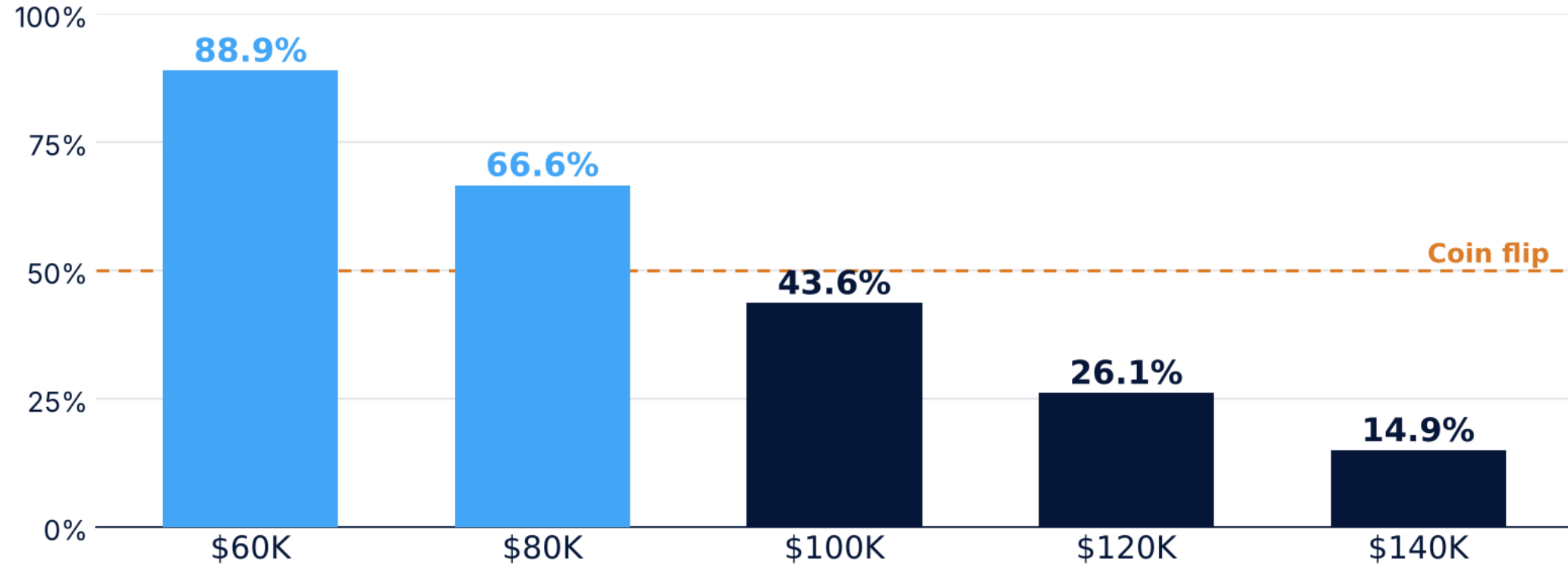


Source: Money for the Rest of Us portfolio analysis tool. Expected return 5.8%, volatility 12.9%.

Nominal dollars. Distribution shape is illustrative; percentiles are from the tool.

Odds of Reaching a Milestone

Chance the \$50-a-week portfolio exceeds each value at year 21



Source: Money for the Rest of Us portfolio analysis tool. \$54,650 invested in total.
100% of simulations ended above the amount invested.

To Learn More
moneyfortherestofus.com
