INSIGHT ARTICLE

The Data Is Clear. The Hard Part Is Staying Invested.

What 100 years of market data teaches us about financial planning

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> When I started Money Wise UK, one of the things I kept coming back to was data. Perhaps that comes from my time at LWM. One of the things I learnt there was that data is king. But the more I work with financial planning firms, the more I think data on its own is not enough. Data is only useful if it leads to better decisions.

This is why the Dimensional Matrix Book 2026 is interesting. It is not just a book of numbers. It is a reminder of what markets have done over long periods, how unpredictable they can be in the short term, and why clients need more than investment performance tables. They need context, structure and guidance.

You see, it is easy to say clients should stay invested. It is much harder for them to do this when markets are falling, when the headlines are negative, when retirement feels close, or when they are worried about whether their money will last.

That is where good financial planning comes in.

The role of the adviser is not simply to pick investments. It is to help clients understand why they are invested, what the plan is trying to achieve, and how to behave when markets become uncomfortable.

MARKETS REWARD PATIENCE, BUT THEY DO NOT MAKE IT EASY

The Matrix Book looks back over 100 years of US stock market data from 1926 to 2025. Over that period, $1 invested in US stocks grew to $17,060. By comparison, US government bonds grew to $135, one-month US Treasury Bills grew to $25, and inflation grew to $18.

> **$1 invested in US stocks in 1926 grew to $17,060 by 2025.**

That is a powerful number.

But we have to be careful with it.

It does not mean equities are always right. It does not mean clients should take more risk than they can tolerate. It does not mean markets go up in a straight line. What it does show is that over long periods, growth assets have historically been one of the key ways investors have protected and grown their wealth.

The challenge is that clients do not live in 100-year time periods.

They live in the moment.

They see their portfolio fall. They read the news. They hear about wars, elections, inflation, interest rates and market crashes. They worry about retirement, family, tax, inheritance and whether they have enough.

So perhaps the real lesson from 100 years of data is not simply that markets have rewarded long-term investors.

The real lesson is that the reward comes with discomfort.

THE AVERAGE RETURN IS NOT THE NORMAL RETURN

One of the most important points from the Matrix Book is that the US stock market has delivered an average annualised return of around 10% over the long term. But very few individual years looked like the average.

In fact, only a small number of years delivered returns close to the long-term average. Most years were either much better or much worse.

This matters because clients often anchor themselves to an expected return.

They may be told that a portfolio is expected to return, say, 5%, 6% or 7% over time. The problem is that markets do not know this. They do not deliver neat annual returns that fit into a spreadsheet.

Some years will be strong. Some years will be poor. Some years will feel like nothing is happening. Other years will feel frightening.

This is why adviser communication is so important.

Clients need to understand that an expected return is not a promise. It is not a straight line. It is a long-term planning assumption, and that assumption will only be useful if the client can stay invested long enough to experience it.

POSITIVE YEARS ARE MORE COMMON THAN NEGATIVE YEARS

Another useful data point is that US stocks posted annual gains in 75 of the last 100 years. That means 25 years were negative.

75	25	100
POSITIVE YEARS	NEGATIVE YEARS	YEARS OF DATA

This is helpful because it gives balance.

Market falls are normal. They are not a sign that something has gone wrong. They are part of investing.

But equally, the long history shows that positive years have been more common than negative years.

This is where advisers can help clients reframe what they are seeing.

A difficult year does not automatically mean the plan has failed. A market fall does not automatically mean the investment strategy is wrong. A negative period may simply be part of the journey.

That does not mean doing nothing blindly. Reviews matter. Suitability matters. Risk profiling matters. Capacity for loss matters. Retirement income planning matters. But there is a difference between reviewing a plan and reacting emotionally to short-term noise.

Good advice helps clients separate the two.

TIME CHANGES THE RISK CONVERSATION

One of the most powerful pieces of data is how returns change as the time horizon extends.

The Matrix Book shows that US stocks were positive on 55% of days, 63% of months, 75% of one-year periods, 89% of five-year periods, 96% of ten-year periods and 100% of rolling twenty-year periods since 1926.

> **US stocks were positive in 100% of rolling twenty-year periods since 1926.**

This is not saying risk disappears. It does not.

But time changes the nature of the risk.

For money needed next year, market volatility matters greatly. For money needed in 20 years, the bigger risk may be not taking enough investment risk. For someone in retirement, it becomes more nuanced. They may need cash and short-term assets for income, but they may also need growth assets to protect against inflation and longevity.

This is why retirement planning is so important.

Retirement is not a product. It is not simply about choosing drawdown or an annuity. It is about understanding the client, their spending needs, their emotional comfort, their health, their family, their tax position, and their ability to cope with uncertainty.

The data helps. But the plan has to make the data personal.

CASH FEELS SAFE, BUT INFLATION CHANGES THE PICTURE

Cash has a place. It provides comfort. It provides liquidity. It can help clients sleep at night. In retirement, it can provide a buffer so that investments do not have to be sold at the wrong time.

But cash is not risk-free.

The Matrix Book shows that UK one-month Treasury Bills delivered a nominal return of 3.1% annualised over the five years to 2025. However, after inflation, the return was -3.4% annualised. Over ten years, the inflation-adjusted return was -2.7% annualised.

This is really important.

Clients often think of risk as seeing their portfolio fall in value. But inflation creates a quieter risk. It slowly reduces what money can buy.

This is especially dangerous in retirement.

A client may feel safe holding large amounts of cash, but if their spending power is falling each year, that safety may be an illusion. The number on the statement may look stable, but the client's ability to maintain their lifestyle may be weakening.

The answer is not to hold no cash.

The answer is to hold the right amount of cash for the right purpose.

Cash should have a job. It might be for emergency spending. It might be for short-term income. It might be for peace of mind. But if cash is being used as a long-term investment strategy, advisers need to challenge whether it is truly supporting the client's outcomes.

INFLATION IS NOT JUST AN ASSUMPTION ON A CASHFLOW CHART

Inflation can look harmless when it is a small number in a cashflow planning tool.

But the last few years have reminded us that inflation is real. It affects food, energy, holidays, insurance, care costs and the day-to-day spending that clients actually experience.

The Matrix Book shows UK Retail Price Index inflation of 4.2% in 2025, 6.7% annualised over five years and 4.6% annualised over ten years.

This should make us think carefully about retirement income planning.

If a client retires at 60 or 65, their money may need to last for 25, 30 or even 35 years. Over that period, inflation can have a significant impact on the income they need.

This is why a retirement plan cannot just ask, "How much income do you need today?"

It also needs to ask:

What happens if costs rise?

What happens if investment returns are lower than expected?

What happens if the client lives longer than expected?

What happens if markets fall early in retirement?

What happens if care costs appear later in life?

Good retirement planning is not about pretending we know the future. It is about building a plan that can adapt when the future turns out differently from what we expected.

DIVERSIFICATION IS HUMILITY IN ACTION

One of the most interesting charts in the Matrix Book shows how global equity markets change over time.

In 1990, Japan represented 41% of selected global market capitalisation. By 2025, it was 5%. The US moved from 32% in 1990 to 62% in 2025. The UK moved from 8% to 3%.

> **Japan fell from 41% to 5% of global market capitalisation between 1990 and 2025.**

That is a big shift.

It also tells us something important.

Market leadership changes.

The companies, countries and sectors that dominate one period may not dominate the next. The danger for investors is that we often look backwards and assume the recent winner will continue to win.

This is where diversification matters.

Diversification is not exciting. It does not give you a great story to tell at dinner. It often means owning things that are not working at the same time as something else is doing well.

But that is the point.

Diversification is a form of humility. It is admitting that we do not know where the next great return will come from.

For financial planning firms, this matters from a governance perspective. It is easy to be pulled towards recent performance, popular funds, strong narratives and client pressure. But a robust investment proposition should be built on process, evidence and discipline, not simply what has worked recently.

BONDS STILL HAVE A ROLE, BUT THE ROLE NEEDS EXPLAINING

The last few years have been difficult for bonds. Many clients who thought bonds were the "safe" part of a portfolio were surprised when they fell in value.

This created a communication problem.

But the Matrix Book shows why balanced portfolios still have a role. In four major bear markets since the 1970s, a 60/40 stock and bond portfolio experienced smaller falls than the S&P 500 and recovered faster.

During the Global Financial Crisis, the S&P 500 fell 51% and took 53 months to recover. A 60/40 portfolio fell 29% and recovered in 35 months.

-51%	53mo	-29% / 35mo
S&P 500 FALL, GFC	S&P 500 RECOVERY	60/40 FALL & RECOVERY

This does not mean bonds always protect capital. They do not.

But they can still help reduce portfolio volatility, support withdrawals, and make it easier for clients to remain invested during difficult periods.

Again, the key is communication.

Clients need to understand what each part of the portfolio is there to do. If they believe bonds can never fall, they will be disappointed. If they understand that bonds are part of a wider risk management structure, the conversation becomes more balanced.

GOOD ADVICE CONNECTS THE INVESTMENT TO THE PLAN

The data is helpful, but it does not replace advice.

A client does not simply need to know that markets have gone up over time. They need to know what that means for them.

They need to understand:

Why they are invested.

How much risk they are taking.

What the money is for.

When they may need access to it.

How the plan deals with inflation.

How income will be produced in retirement.

What happens when markets fall.

When the plan should be reviewed.

This is where financial planning firms add value.

The investment portfolio is not the plan. It is part of the engine that helps deliver the plan.

Without the plan, investment performance has no context. A return might look good, but did it help the client achieve their goals? A return might look poor, but was it still within the expected range? A portfolio might be technically sound, but does the client understand it enough to stay invested?

Consumer Duty makes this even more important.

It is not enough to have a centralised investment proposition or a centralised retirement proposition sitting on a shelf. Firms need to show how clients understand the proposition, how it supports good outcomes, and how the firm monitors whether it continues to work.

THE ADVISER'S ROLE IS BEHAVIOURAL AS MUCH AS TECHNICAL

The more I look at the data, the more I come back to behaviour.

The evidence is clear. Long-term investing has historically rewarded patience. Diversification matters. Inflation matters. Cash has a role but also a risk. Balanced portfolios can help. Time horizon changes the conversation.

But none of this is easy for clients when emotions are high.

That is why advice matters.

A good adviser helps clients avoid the big mistakes. Selling after a fall. Chasing last year's winner. Holding too much cash for too long. Taking too much risk because markets have been strong. Taking too little risk because markets have been weak. Confusing activity with progress.

This is not about pretending advisers can control markets.

They cannot.

It is about helping clients control the things they can control.

Their plan. Their spending. Their risk. Their behaviour. Their understanding. Their expectations.

Perhaps this is the real lesson from 100 years of data.

> **The data is clear, but the behaviour is hard.**

Good financial planning bridges that gap.

CONCLUSION

The Matrix Book gives us a century of evidence. But for financial planning firms, the opportunity is not simply to quote the numbers.

The opportunity is to use the data to improve client conversations.

It helps explain why time matters. Why inflation matters. Why cash is not always safe. Why diversification matters. Why market timing is difficult. Why clients need to stay invested. And why the adviser's role is about much more than choosing funds.

Markets will continue to surprise us. There will be new crises, new technologies, new governments, new headlines and new reasons to worry.

That has always been the case.

But the long-term data reminds us that wealth creation has rarely come from prediction. It has come from patience, discipline, diversification and planning.

For Money Wise UK, that is the key message.

The plan gives the investment purpose.

The data gives the adviser evidence.

The adviser helps the client stay the course.

RISK WARNING

Past performance is not a guide to future returns. The value of investments can fall as well as rise, and clients may get back less than they invest. Inflation reduces the future spending power of money. Index returns do not reflect the costs, charges or taxes associated with an actual investment portfolio. This paper is for information only and does not constitute personal financial advice.

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