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PUNDIT-PROOF YOUR INVESTMENT PLAN

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Part 1: Forecasts – That Dog Won't Hunt

On November 8th, after reaching an intraday high of 6,012, the S&P 500 closed at 5,995!

This exclamation point is well deserved—not only does this level represent an impressive +25.7% gain for the year, but it also stands a striking 43% above the lowest, 23% above the average, and even 11% above the highest Wall Street forecast. I'll skip another exclamation point here because, as I explain below, something like 'Ouch' is far more suitable.

Starting from that, there is bad news and…worse news—read on.

First, the bad news:

Wall Street's irresistible forecasting game has been a vanity project with a dismal record: Between 2000 and 2016, the median forecast for the S&P 500 index, on average, missed the mark by 4.3%, amounting to an error rate of 44% [1]. By 2016, Nir Kaissar noted that forecasts tend to be least reliable when they're most needed [2], and Jeff Sommer, a New York Times' financial columnist, described the 2020 stock market predictions as "remarkable for [their] ineptitude" [3]. And as we've observed, 2024 falls right in the same category.

So, Wall Street forecasts have been historically inaccurate. That's bad enough, but what's the worse news?

The worse news is that these systematically flawed predictions are fed to the engines that drive investors' financial planning models. "Ouch," indeed—or as they say in Silicon Valley, "garbage in, garbage out."

The risks are most pronounced at pivotal moments—consider 2008, when the median forecast predicted an 11.1% gain, while the actual result was a 38.5% decline, a staggering 49.6% error that could have derailed any investor on the cusp of retirement. Investors should be aware that virtually all standard investment planning models are built on this shaky foundation.

Is there any good news for investors? We will look for it in Part 2.

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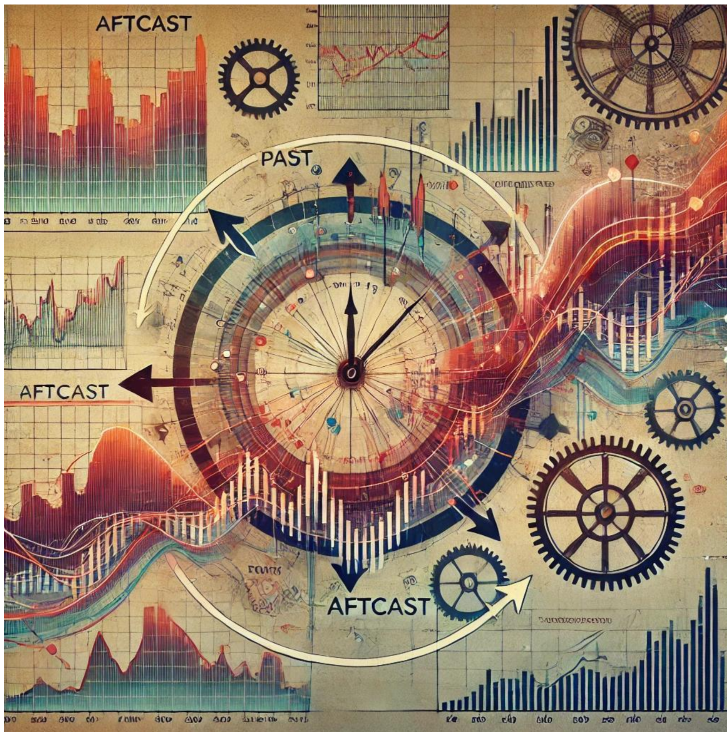
Part 2: Avoid Forecast-Based Financial Planning – Look for *Aftcast*



In Part 1, we examined investors' predicament—the bad news is that forecasts are systematically flawed and, unfortunately, the worse news is that these unreliable forecasts form the foundation of conventional investment plans throughout Wall Street. The problem is clear: as they say in Silicon Valley, "garbage in, garbage out."

So, is there any good news for investors?

There can be—if your investment plan is based *not* on fore-casts but on…aft-casts!

Aftcast examines the resilience and productivity of your portfolio across a string of *actual* rolling historical segments (e.g., 1900-1929, 1901-1930,…,1994-2023) rather than relying on speculative predictions about the future.

These segments are grounded in market and economic realism—while forecast-based models failed to foresee and prepare investors for the 2020 CoViD crash, aftcast models already accounted for similar historical events like the 1918-19 Spanish Flu and the pandemics of the 1950s and 1960s!

Moreover, the overlapping sequences in aftcast models rigorously stress-tests portfolios across very different return environments, ensuring reliable portfolio calibration and providing actionable guidance to address the risk of encountering an adverse sequence of returns—an often-overlooked blind spot in conventional investment planning. Here is an illustration:

While a 2007 forecast-based plan for a couple retiring the following year failed to predict the 2008 bear market—exposing them to a weighty early loss that is difficult to recover from—an aftcast model would have spotlighted the portfolio's vulnerability to such a "black swan" based on its historical sequencing. This sequencing includes segments that also began with the bears of the early-1900s, the Great Depression (1929+), the Great Stagflation (1966+), 1987, and 2000+.

In summary, while forecasting speculates about what *will* be, Aftcast starts with what *has been* and, through its overlapping sequencing, realistically arrives at what *can be*.

So, there can be good news. And here is the best part:

Our practice has championed aftcast-based investment planning throughout its 20+ years of tenure [4]. We urge investors, especially those approaching retirement, to seek an afcast-based second opinion before committing to conventional investment plans. We invite you to reach out to us.

[1] Hickey, C. (2016, January 13). *Strategists full of bull.* Statistical Ideas. https://statisticalideas.blogspot.com/2016/01/strategists-full-of-bull.html

[2] Kaissar, N. (2016, December 23). *S&P 500 forecasts mostly hit the mark — Until they matter most.* Bloomberg. https://www.bloomberg.com/gadfly/articles/2016-12-23/s-p-500-forecasts-mostly-hit-mark-until-they-matter-most

[3] Sommer, J. (2020, December 18). *Wall Street forecasters are dismal at predicting the future.* The New York Times. https://www.nytimes.com/2020/12/18/business/stock-market-forecasts-wall-street.html

[4] Aft-Cast Financial Planning | GNH Capital Group of Wells Fargo Advisors and GNH Capital Group - Our Offering.pdf

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