



Lost Decades & Tax Refunds

High valuations don't necessarily mean poor future returns, but... lost decades, even in 60% stock and 40% bond portfolios, usually start with high valuations...

EXHIBIT 1: 60/40 – “LOST DECADES” ARE MORE COMMON THAN YOU THINK

Most started with high valuations on stocks or bonds



As of 9/30/2025 | Sources: Bloomberg, Global Financial Data (early history), Factset (S&P500 returns and CPI), J.P. Morgan (J.P. Morgan GBI United States Traded), Shiller data, Federal Reserve Bank of Philadelphia (U.S. Treasury Yields and Long-term Inflation Expectations). Real yield is the yield on the 10-Year U.S. Treasury minus Philly Fed Long-Term Inflation Expectations (1992-present) or the 12-month trailing CPI (early history). Current CAPE = 42 and Real Yield = 1.8%. 60% U.S. Equities (S&P 500), 40% U.S. Bonds (U.S. Treasuries) rebalanced monthly.

The decision in the recent court case, *Kwong v. United States*, may have created a tax refund opportunity for taxpayers. Taxpayers may be eligible for a tax refund for the COVID period for the following: Penalties assessed for failure to timely file returns, failure to pay taxes, or failure to make estimated tax payments; Interest that began accruing earlier than it should have, or not at all; and Overpayment interest for the 2020 – 2023 disaster period. Taxpayers should speak to their accountants or tax preparers to see if filing for a refund or abatement would be worthwhile. Self-preparers can file Form 843 themselves. The deadline for filing is July 10, 2026.

Best,

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