What If Paul Tudor Jones Is Right?

Paul Tudor Jones, the legendary investor who called the 1987 crash and runs Tudor Investment with more than 100 billion dollars under management, just laid out a sobering case on Patrick O'Shaughnessy's *Invest With the Best* podcast. Every retiree needs to hear it.

The US stock market has only been this expensive once before in history. The Shiller CAPE ratio, which measures the S&P 500 against ten years of inflation adjusted earnings, sits near 40. The long-term average is about 17. In 1929, before the Great Depression, CAPE peaked in the mid 30s. The only time it was higher than today was the dot com bubble in 2000, when it reached 44 right before the market lost half its value over the next two years.

Jones did the math. If valuations simply revert to their long-term average, the market would fall 30 to 35 percent. Since 1970, significant bear markets have arrived on average about every 10 years. The last big one was the 34 percent COVID drop in 2020. By that periodicity, the next one could hit within the next few years.

Jones sees the catalyst coming when insiders at major IPOs like SpaceX, Chime, and Stripe cash out once their shares unlock. That selling pressure could be the spark.

Here is why this matters for retirees. About 10 percent of federal tax revenue comes from capital gains. In a serious correction, that revenue evaporates. The deficit explodes. The bond market gets hit. Jones called it a negative self-reinforcing effect, where the market drags the economy down and the economy drags the market down.

For a 68-year-old with a million dollar IRA, a 35 percent drop combined with ongoing withdrawals can permanently damage a retirement plan. This is sequence of returns risk, and it is the single biggest threat I see in my office every week. The math is brutal. A retiree who hits a major bear market in the first five years of retirement has a dramatically higher chance of running out of money than one who hits the same bear market ten years later.

The answer is not cash, which gets eaten by inflation. The answer is a portfolio built for mean reversion. Buffered ETFs offer market exposure with a built-in floor on losses. Structured notes provide contractual downside protection and defined income, often paying 9 to 10 percent. Private equity is buying quality businesses at lower multiples than the public markets. Real assets like infrastructure, energy, and private real estate produce reliable monthly income that does not depend on what the S&P does on any given Tuesday.

Hope is not a strategy. The investors who built real wealth in this country did not hope. They prepared. The market does not care about your retirement. Make sure someone does.

Have you heard about our Vision Quest Process? Watch the video below to learn more!

We are committed to helping you achieve your financial goals. Please feel free to contact us with any questions, comments, or a more in-depth discussion.

Sincerely,
Keith Singer

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