

The Power of Human Ingenuity

We believe in the power of markets. This perspective is grounded in our belief in human ingenuity: our inherent drive to solve problems, to rise to the occasion in the face of uncertainty, to be helpful to one another, and in doing so, to make each other's lives better.

It's an unstoppable optimism that leads to innovation. Human ingenuity powers the market—the many thousands of companies around the world, employing millions of people, each finding new ways to move us forward. The stock market provides the best mechanism we know of to process information, set fair prices, and allow investors to benefit from society's collective endeavors.

Investing in the market means investing in people, their ideas, and their innovations.

Employees at US public companies: **44,000,000+**

US trademarks filed: **597,658**

US patents filed: **160,133**

Data for 2024

The year 2020 was a particularly striking example of this. As COVID spread around the world, stocks crashed, with the S&P 500 falling 34% in less than five weeks. But businesses got to work: on treating the virus, serving people stuck at home, and eventually finding a vaccine. By the end of December the S&P 500 had recovered its losses and then some, up 18% for 2020, showing that markets can rise even through times of global distress.

Number of employees at public companies is calculated based on data provided by Morningstar, which is sourced from public companies and typically reported as of the latest fiscal year-end, and then limited to a list of US public companies generated by Dimensional Fund Advisors LP using data from Bloomberg and based on the investable universe of Dimensional products. Patents and trademarks data is for January 1, 2024, through December 31, 2024.

Source: United States Patent and Trademark Office.

Red Alert

Many observers foresaw a negative year for stocks in 2024. But companies innovated, businesses launched new products, and markets defied predictions.

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“The Stock Market Could Plunge as Much as 27% When the Economy Finally Tips into Recession, Investment Research Firm Says”

-Business Insider,
November 28, 2023

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“Stock Market Forecast 2024: A Soft Landing May Not Bring the Gains You Expect”

-Investor's Business Daily,
January 4, 2024

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“US Economist Predicts 2024 Will Bring ‘Biggest Crash of Our Lifetime’ ”

-Fox Business,
December 19, 2023

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“Stock Markets Are Booming. But the Good Times Are Unlikely to Last.”

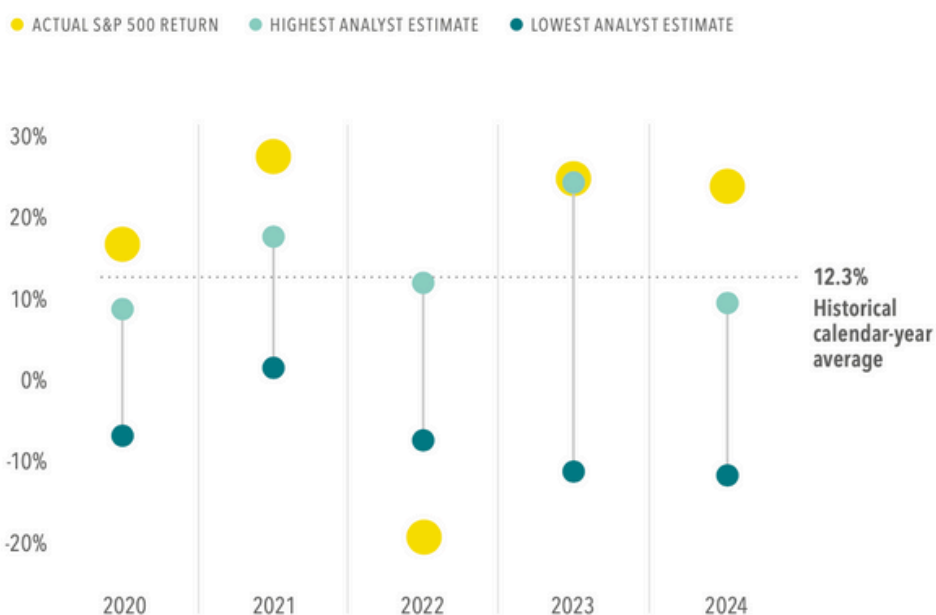
-The Economist,
February 25, 2024

Last year served as a reminder, too. 2024 came against a backdrop of geopolitical tensions, economic uncertainty, and electoral anxiety in the US and elsewhere. Those concerns accompanied stubbornly high inflation, a shift in direction for interest rates, and the ripple effects from conflicts in Ukraine and the Middle East. Some observers speculated this could be the beginning of a prolonged economic downturn, worries that were reflected in predictions by many market watchers.

Despite bearish market forecasts for 2024, in the US, the S&P 500 returned a robust 25.0%. Alongside the gains in the US, the global stock market, as measured by the MSCI All Country World Index, was up 20.3%. Even bonds, after struggling earlier in the decade, delivered solid returns (4.2% as measured by the Bloomberg Global Aggregate Bond Index). Taken together, it was a reminder that markets can be hard to predict. Even when uncertainty abounds, markets price in expectations of future cash flows, driven by people and businesses that are constantly seeking to overcome challenges and create opportunities. Investors with broadly diversified portfolios who stuck with their plans were rewarded for their patience and discipline.

Perseverance over Predictions

Equity analyst predictions vs. actual S&P 500 Index calendar-year price returns



*In USD. Source: Bloomberg, using the "Strategists S&P 500 Index Estimates for Year-End..." Analyst predictions for each year are as of December in the year prior. Analyst forecasts and returns are price returns. There were 21 predictions for 2020, 17 for 2021, 19 for 2022, 22 for 2023, and 19 for 2024. Price return represents the change in price of an investment and does not include dividends and other earnings. Historical calendar-year average calculated as the arithmetic average of calendar-year returns: 1927 to 2024 total returns of the S&P 500 Index. **Past performance is not a guarantee of future results.** Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. S&P data © 2025 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.*

Diversification does not eliminate the risk of market loss. Investing risks include the loss of principal and fluctuating value.

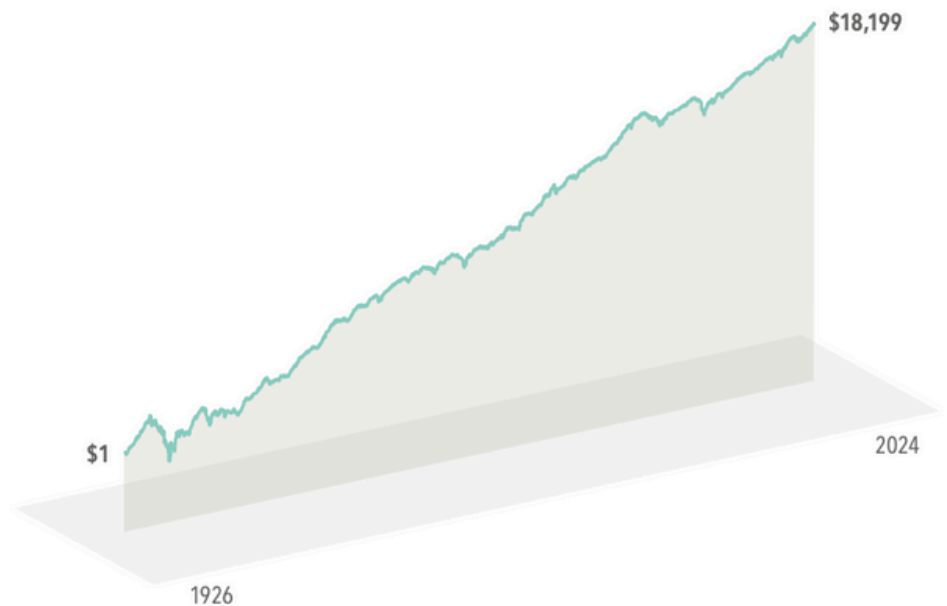
There are always plenty of surprises and fluctuations along the way. Individual stocks and sectors go up and down based on current events, earnings reports, and shifting consumer sentiment. But zoom out and the big picture becomes clear: Over the past century, the US stock market has consistently risen, returning on average about 10% a year.¹ This is why we have unwavering faith in markets. By owning a broad slice of global markets, we can participate in the upside of human problem-solving and innovation as it takes place across a vast array of companies and the untold number of ideas their employees develop.

Whatever the difficulties, people find ways to adapt, create, and move forward. Markets reflect this reality, and investors harness the power of markets by staying disciplined, diversifying globally, minimizing costs, balancing risks, and pursuing higher expected returns. Those are timeless principles that don't depend on predictions or guesswork—they simply allow everyone to participate in the rewards of human creativity and resilience.

*In USD. Data presented is hypothetical and assumes reinvestment of income and no transaction costs or taxes. The chart is for illustrative purposes only and is not indicative of any investment. **Past performance is not a guarantee of future results.** Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. S&P data © 2025 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.*

The March of Progress

S&P 500 Index (1926-2024)



It's also worth remembering that true wealth is about more than the balance in your investment account. It's about having the financial security and peace of mind to be able to focus on what matters most—your health, your relationships, your passions and purpose. It's about living a life of meaning and optimism, even when we're unsure about what lies ahead. And it's about trusting in the power of human ingenuity.

As we look forward, let's carry these lessons with us. Let's continue to invest in markets and in ourselves. Let's have faith in progress, even if the path isn't always smooth. Throughout history, we've faced countless challenges, yet we've always found a way to adjust and overcome. We've harnessed the power of technology, unlocked the secrets of science, and created societies that are more prosperous and more connected than ever before. And I believe this trend will continue. I believe in our ability to confront any obstacle as we build a better future. As long as people keep dreaming and solving problems, opportunities to grow and develop will be abundant—for ourselves and for generations to come.

End Notes

1 Average annualized return for the S&P 500 is 10.4% (1926–2024) and does not account for inflation.

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Source: Dimensional Fund Advisors LP is an investment advisor registered with the Securities and Exchange Commission.



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