



The Cash Conundrum

Could large cash holdings have sizable impacts on future wealth?

December 31, 2025

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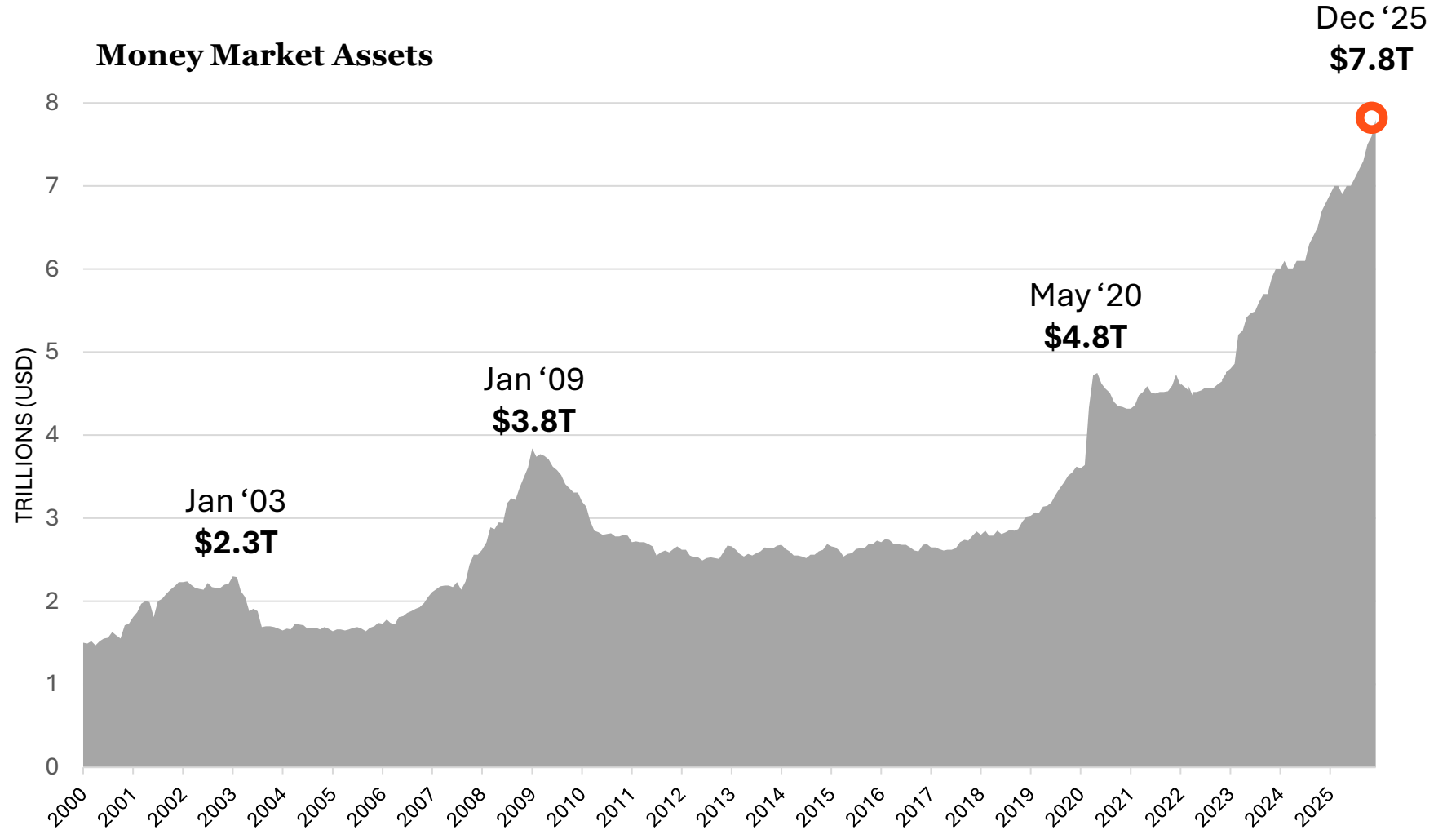
The Cash Conundrum

Conundrum: “a confusing and difficult problem or question”

Cash balances continue to stand near record highs

Attractive yields have lured investors to hold **even more** cash

Holding cash, especially for extended periods of time, can come at a big cost



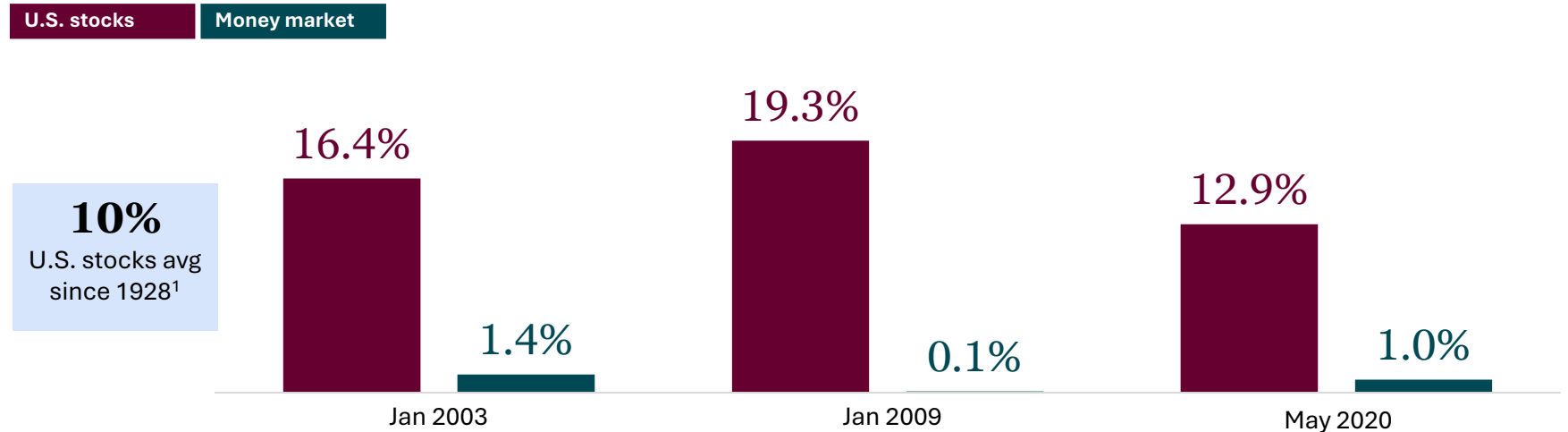
Cash drag can add up quickly

Recent peaks in money market assets

Jan. 2003	\$2.3T
Jan. 2009	\$3.8T
May 2020	\$4.8T
Dec. 2025	\$7.8T

3-year performance following a peak in money market fund assets

Average annual performance



	Growth of \$1 million (ending assets after each 3-year period)		
U.S. stocks	\$1,577,099	\$1,697,936	\$1,439,900
Money market	\$1,042,591	\$1,003,003	\$1,030,600
Difference	\$534,508	\$694,933	\$409,300

Source: Morningstar, Lincoln Financial. 3- year returns calculated from end of peak month listed. US Stocks = S&P 500 TR; Money Market = Morningstar taxable money market category average returns 1 – average annualized return (rounded from 10.13%) of S&P 500 (including dividends) from 1928-2025 via. NYU.edu Historical Return on Stocks, Bonds and Bills. **Past performance does not guarantee or predict future performance.**

Three reasons to invest with confidence

#1

The odds of cash underperforming are high

#2

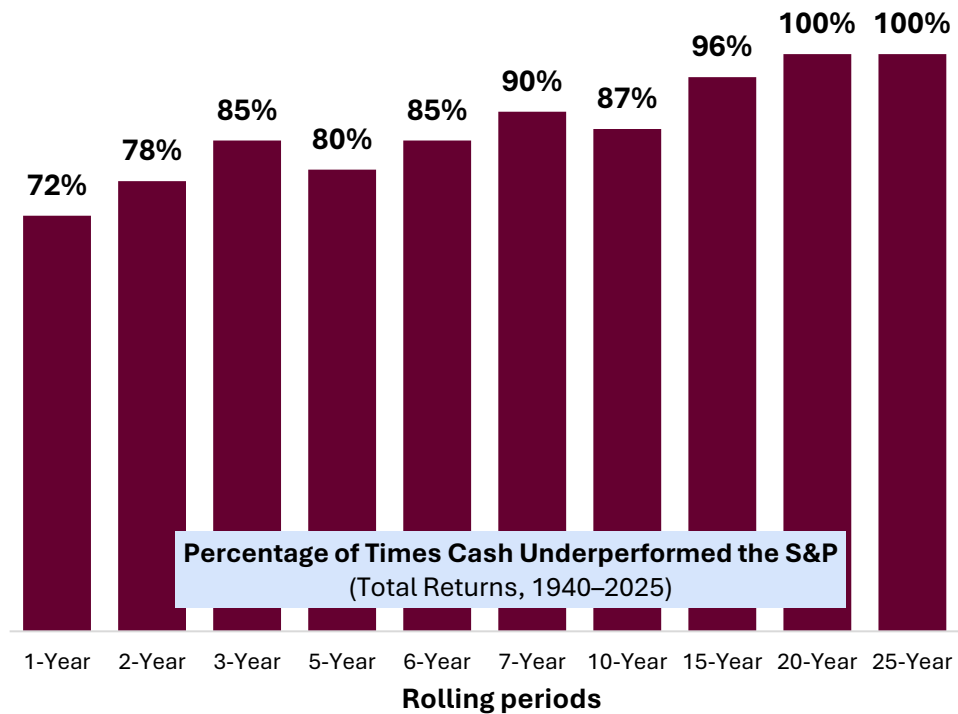
It's always a good time to invest

#3

Markets lead the economy, so buy and hold is usually best

The odds of cash underperforming are high

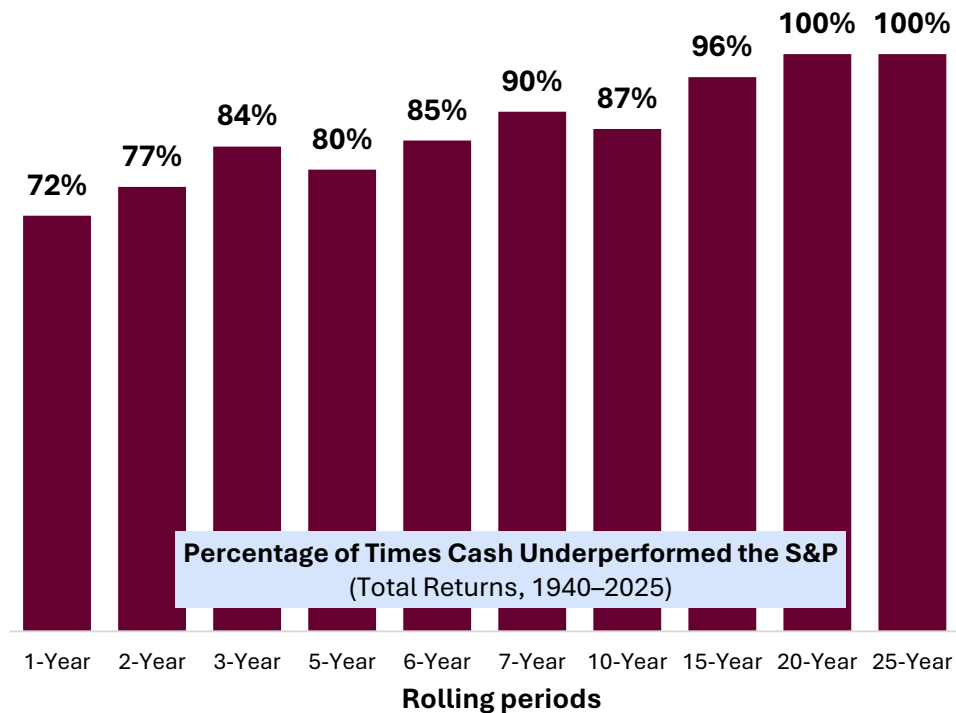
How often cash underperforms...



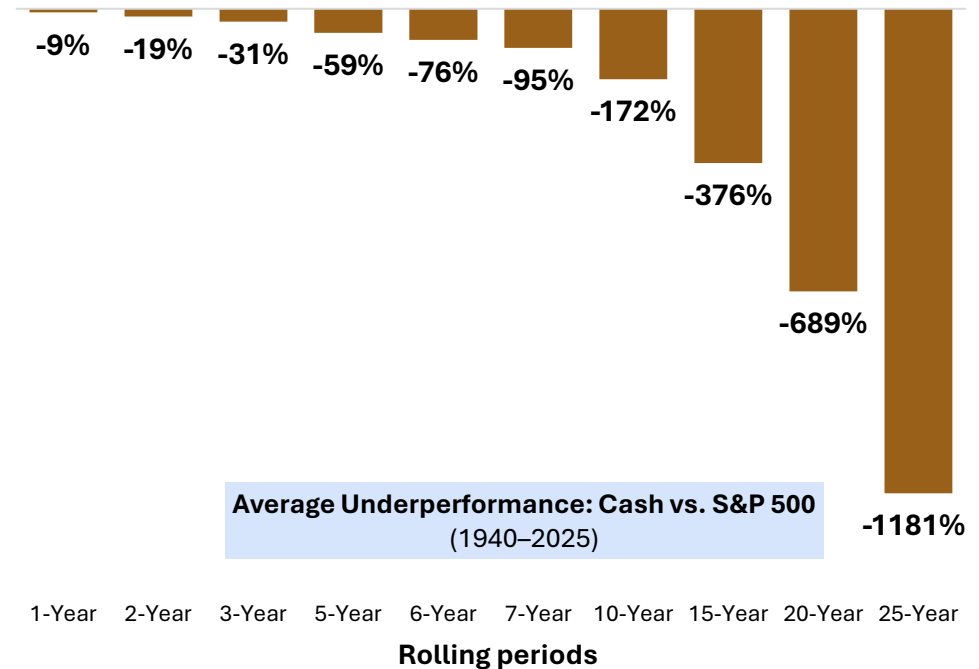
Source: S&P 500 Total Returns from NYU.edu, Morningstar. Analysis by Lincoln Financial. Rolling periods with a 1-year step. Cash proxy = average 3-month Treasury Bill rate in each calendar year.

The odds of cash underperforming are high

How often cash underperforms...



...and by how much on average



Source: S&P 500 Total Returns from NYU.edu, Morningstar. Analysis by Lincoln Financial. Rolling periods with a 1-year step. Cash proxy = average 3-month Treasury Bill rate in each calendar year.

Despite the headlines...

Year	Worrisome event
2000	Tech wreck; bubble bursts
2001	September 11
2002	Dot-com bubble: market down – 49%
2003	War on Terror – U.S. invades Iraq
2004	Boxing Day Tsunami kills 225,000+ in Southeast Asia
2005	Hurricane Katrina
2006	Not a bad year, but Pluto demoted from planet status
2007	Subprime blows up
2008	Global Financial Crisis; bank failures
2009	GFC: market down – 56%; depths of despair
2010	Flash crash; BP oil spill; QE1 ends
2011	S&P downgrades U.S. debt; 50% write-down of Greek debt
2012	2nd Greek bailout; existential threat to Euro
2013	Taper Tantrum
2014	Ebola epidemic; Russia annexes Crimea
2015	Global deflation scare; China FX devaluation
2016	Brexit vote; U.S. election
2017	Fed rate hikes; North Korea tensions
2018	Trade war; February-inflation scare
2019	Trade war, impeachment inquiry, global growth slowdown
2020	Covid-19 pandemic, U.S. presidential election
2021	Omicron variant, China regulatory crackdown
2022	Russia invasion of Ukraine, inflation hits 40-year high
2023	Fed rate hikes; regional bank failures, recession concerns
2024	U.S. presidential election, global conflicts escalate
2025	Global trade war 2.0, record 43-day government shutdown

Source: J.P. Morgan Private Bank for events 2000 – 2021, Lincoln Financial for 2022 – 2025.

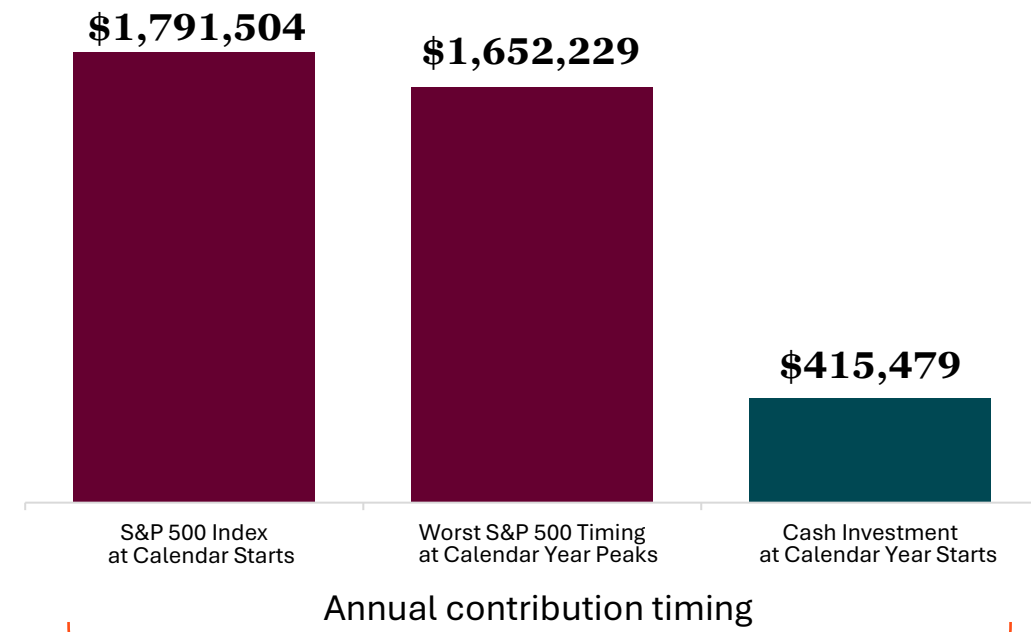
Despite the headlines...

Year	Worrisome Event	Cumulative Returns ¹
2000	Tech wreck; bubble bursts	653%
2001	September 11	728%
2002	Dot-com bubble; market down -49%	840%
2003	War on Terror – U.S. invades Iraq	1,107%
2004	Boxing Day Tsunami kills 225,000+ in Southeast Asia	838%
2005	Hurricane Katrina	746%
2006	Not a bad year, but Pluto demoted from planet status	706%
2007	Subprime blows up	596%
2008	Global Financial Crisis; bank failures	560%
2009	GFC: market down -56%; depths of despair	948%
2010	Flash crash; BP oil spill; QE1 ends	728%
2011	S&P downgrades U.S. debt; 50% write-down of Greek debt	620%
2012	2nd Greek bailout; existential threat to Euro	605%
2013	Taper Tantrum	508%
2014	Ebola epidemic; Russia annexes Crimea	359%
2015	Global deflation scare; China FX devaluation	304%
2016	Brexit vote; U.S. election	298%
2017	Fed rate hikes; North Korea tensions	256%
2018	Trade war; February-inflation scare	192%
2019	Trade war, impeachment inquiry, global growth slowdown	205%
2020	Covid-19 pandemic, U.S. presidential election	132%
2021	Omicron variant, China regulatory crackdown	96%
2022	Russia invasion of Ukraine, inflation hits 40-year high	52%
2023	Fed rate hikes; regional bank failures, recession concerns	86%
2024	U.S. presidential election, global conflicts escalate	47%
2025	Global trade war 2.0, record 43-day government shutdown	18%

Source: J.P. Morgan Private Bank for events 2000-2021, Lincoln Financial for 2022 -2025. ¹Cumulative total returns for S&P 500 are calculated from December 31 of the year prior to December 31, 2025, sourced from Morningstar LCN-8732029-012226

...it's always a good time to invest!

Hypothetical portfolio value with \$12K annual contributions (2000 – 2025)



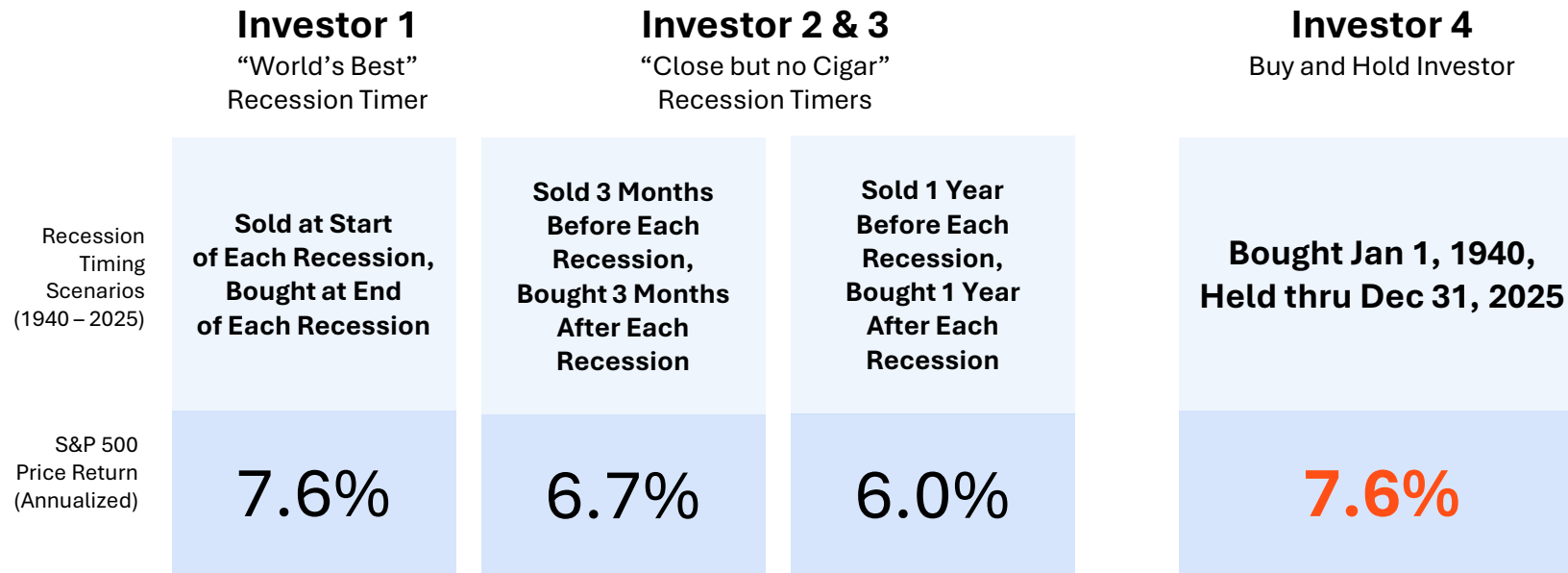
Source: Bloomberg, Federal Reserve Bank of St Louis, Lincoln Financial as of December 31, 2025. S&P 500 total return index used. 3-month U.S. Treasury Bill used as a proxy for cash investment.

Markets lead the economy, so buy and hold is usually best



Recession timers

Buy and hold



The buy and hold investor had the same exact return as the perfect recession timer—**and without the anxiety of trying to time the market!**

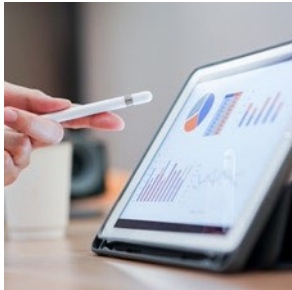
Source: Bloomberg, Morningstar, Federal Reserve Bank of St. Louis, Lincoln Financial. S&P 500 Price Return index from 1940 – 2025. Does not include dividends.

Safety without avoiding growth



**Cash
balances are
soaring.**

Investors seeking the perceived safety of cash could miss most (or all) market growth.



**Growth
potential is
crucial.**

Headlines can keep investors on the sidelines, but the odds of cash underperforming are high.



**Protection
builds
confidence.**

Adding solutions with built-in protection can help investors remain focused on their long-term goals.

It's all about **safety—
without avoiding growth!**
Let's discuss some
options today!



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