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THE PREHN INSTITUTE | RESEARCH

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Why Investing Isn't Working Anymore

The companion guide to the video. Plain English, written for somebody starting from zero, and built to be kept by your side.

FELIX PREHN

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The Prehn Institute

REPORT SCOPE

Plain-English explanation of the video.

RATING

None

PRICE TARGET

None

BOTTOM LINE:

You were handed a plan. Work hard, earn a decent wage, buy a house, put the rest in the market and leave it alone. It worked for your parents. It is not really working for you, and that is not a personal failing. The rules of money got rewritten in the last 20 years. Nobody sent you the memo. This guide walks you through the three rules that used to be true, shows you with real numbers why they broke, and sets out what to do instead.

About Felix Nikolas Prehn and The Prehn Institute

Felix Nikolas Prehn

Felix Nikolas Prehn is an economist and former investment banker. He writes and lectures on how the financial markets work, with a focus on how ordinary savers can protect what they have built.

The Prehn Institute

Felix Nikolas Prehn is the founder of The Prehn Institute. It publishes research on the financial markets and provides instruction in how they work. It gives no financial advice.

It takes no sponsorships and no endorsements, ever. So its work answers to its readers and to nobody else.

Our work online

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START HERE

It is not your fault

How to use this guide.

Read it beside the video. And the sections follow the same order. Take it slowly. There is a glossary at the back so no piece of jargon can trip you up, a one-page checklist you can act on this week, and a worked example with real numbers so you can test it against your own life.

Let us start with the thing nobody says out loud. You are working harder than your parents did. And you are probably better educated. So why does the finish line keep moving away from you? You were handed a plan. Work hard. Earn a decent wage. Then buy a house. Put the rest into the market and leave it alone. Wait 30 years. Retire comfortable.

It is a good plan. It is also the plan your parents used, and for them it worked. So when it does not work for you, the voice in your head says you must be doing it wrong. You are not doing it wrong. The plan is.

The rules changed while you slept

Here is what actually happened. The rules of money got rewritten over the last 20 years. Slowly, with no announcement. And nobody sent you the memo.

So you are playing a game by the old rulebook while the board underneath you has changed. No wonder it feels like effort going nowhere. This guide does three things. It names the three old rules you were taught. And it shows you, with real numbers, exactly why each one broke. And it hands you a new map you can actually use.

One law, hiding under all three.

The three dead rules look separate. They are not. Underneath them sits a single change, and once you see it you cannot unsee it. We get there on page 10. Hold the three rules in your head until then.

No jargon gets past you here. Every term is in the glossary. So take it slowly. This is the one subject school never taught you. And it is the one that decides how the rest of your life feels.

A note before you start.

On at least one of these three rules, part of you is going to want to argue. Hold onto that feeling. By the end you will see why it is the whole point.

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DEAD RULE 1 OF 3

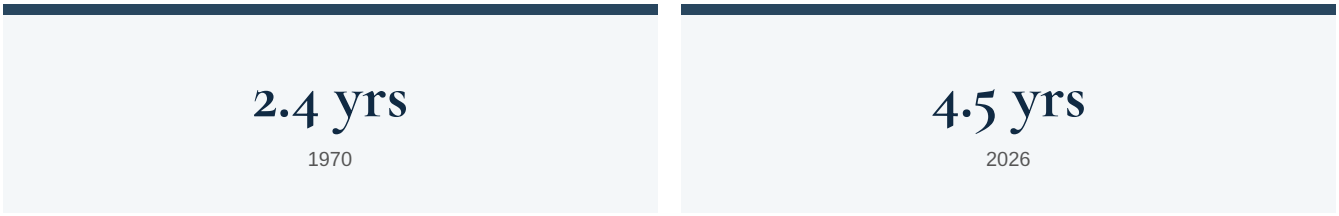
"A good salary makes you wealthy"

This was true for your parents. For you it has stopped being true, and the gap is not small.

Your parents had a simple deal with the world. Get a good job, hold onto it, and the salary would carry you to a house and a pension. So the wage was the engine. It did the work.

That deal is broken. Not bent. Broken. And the clearest way to see it is a house.

The same house now costs you twice as many years of your life



Median US sale price divided by median household income. In 1970 the typical house cost about 2.4 years of the typical income. By 2026 it costs about 4.5 years. Sources: FRED MSPUS, FRED MEHOINUSA646N, US Census.

In 1970 the typical house cost about 2.4 years of the typical income. Now the same maths gives you about 4.5 years. The bricks did not change. But the price of your life did. So the wage still arrives every month. It just buys a smaller slice of the things that used to define a normal life. You feel that every time you do a weekly shop.

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DEAD RULE 1 OF 3

Why the salary fell behind

There are two reasons, and they stack on top of each other. First, wages grew. But assets grew far faster.

Wages crawled. The market sprinted.

9x

Typical wage

65x

S&P 500

Growth since 1970. Typical wages are up roughly 9 times. The S&P 500 is up roughly 65 times over the same window. Sources: FRED, S&P. Illustrative multiples, rounded.

Read that again. If your money sat in wages, it grew about 9 times. And if it sat in assets, it grew about 65 times. So the person who owned things pulled away from the person who only earned. Second, the money itself got weaker underneath you.

What one 1971 dollar can buy today

100%

1971

12%

2026

Purchasing power of the US dollar, 1971 set to 100%. A 1971 dollar now buys about 12% of what it did. Source: FRED CPIAUCSL, October 2026.

A dollar from 1971 buys about 12% of what it once did. And your salary is counted in those shrinking dollars. So even a pay rise can leave you poorer in real life.

A note on gold, since people always ask. Gold went from about $35 in 1971 to over $4,000. That is not me telling you to buy it. I am using it as one yardstick for how far the money fell. Treat it as a thermometer, not a tip.

The lesson of Rule 1.

Earning is not the skill anymore. Keeping is. What you do with the wage matters more than the wage. That is the whole move, and almost nobody was taught it.

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DEAD RULE 2 OF 3

"Buy and hold, just leave it alone"

The idea is sound. The way most people were sold it is a trap.

You have heard it a hundred times. Put your money in the market, do not look at it, come back in 30 years. And compounding will do the rest. Compounding is real. It is the closest thing money has to magic. Money earns, the earnings earn, and the curve bends upward.

And at 10% a year, money roughly doubles every 7 years. That part is true. Here is the part they left out. The market does not pay you 10% in a tidy line. It pays you in a mess. A great decade, then a lost one. And a lost one can last longer than you think.

How long you can wait just to get back to even

15 yrs

US tech, 2000 peak

34 yrs

Japan, 1989 peak

Years taken to return to a previous peak. US tech after 2000 took about 15 years. Japan's market after 1989 took about 34 years. Sources: FRED NASDAQCOM, FRED NIKKEI225.

After the 2000 peak, US tech took about 15 years just to get back to where it started. And Japan took about 34 years. If your retirement lands inside one of those stretches, "leave it alone" is not a strategy. It is a prayer.

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DEAD RULE 2 OF 3

What "the market" actually is now

There is a second catch. When you buy the whole market today, you think you are buying safety through spread. But you are buying something far more concentrated than that.

>1/3

of the entire S&P 500 now sits in a small handful of giant technology companies

1 bet

so "buy the index" has become one big bet on one theme

So the index is not the broad, boring safety blanket it was. More than a third of it sits on a few names in one corner of one industry. And when they wobble, the whole thing wobbles with them. That is not diversification. It is a concentrated bet wearing a safe costume. None of this means compounding is dead. But it means you have to hold the right real things, things you actually understand, and know what is inside the box before you buy it.

See compounding work with your own numbers.

Do not take my word for the magic. Put your own figures in and watch the curve bend. The Prehn Institute has a free compound interest calculator here: prehninstitute.com/compound-interest-calculator

The lesson of Rule 2.

"Buy and hold" is not wrong. "Buy anything and ignore it forever" is. Hold real things you understand, and know what you own. That is the fix.

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DEAD RULE 3 OF 3

"Money is basically free"

For over a decade this was almost true. Then it reversed, fast, and most plans never updated.

For most of the last 15 years, borrowing cost almost nothing. Cheap mortgages. Cheap car loans. Cheap everything. A whole generation learned money management in a world where debt was nearly free.

That world is gone. And the swing was violent.

The cost of a 30-year mortgage, then and now

2.65%	7.28%
Jan 2021	Nov 2026

US 30-year fixed mortgage rate. About 2.65% in early 2021. About 7.28% in late 2026. Source: FRED MORTGAGE30US.

The same loan that cost 2.65% in 2021 costs over 7% today. And on a house, that is not a rounding error. It can double what you hand the bank over the life of the loan. And it was not just mortgages. The price of everything jumped at the same time. Inflation peaked at 9.1% in 2022, the fastest in 40 years. So borrowing got dear and life got dear together.

The lesson of Rule 3.

Debt is no longer free, so it is no longer harmless. And every pound of interest you pay is a pound that was meant to compound for you. Drive the car. Do not let the car drive you.

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THE PATTERN

The one thing underneath all three

Three dead rules. They look like three separate problems. They are not. So they are three symptoms of one change.

For 40 years, two things were true at the same time. Money was fairly sound, and the cost of borrowing fell, year after year, decade after decade. That falling cost of money was a tailwind on everything you owned. And it lifted house prices. It lifted the market. And it made debt feel harmless. Your parents did not build that tailwind. They just happened to sail with it at their backs.

The wind turned

Then, in the span of a couple of years, that tailwind became a headwind. And the cost of money stopped falling and shot upward.

The 40-year tailwind, and the turn

15.84%	0.5%	5.04%
Sep 1981	2020 low	Nov 2026

US 10-year Treasury yield. About 15.84% in 1981, falling to roughly 0.5% by 2020, then back to about 5.04% in 2026. Source: FRED DGS10.

The yield on government debt, which is the interest a lender earns, fell from nearly 16% in 1981 to near zero in 2020. That 40-year fall was the wind. And since 2020 it has turned. So all three rules broke at once, because the house, the market and your cheap debt were all sailing on the very same wind, and when that one wind finally turned they all turned together in the same short stretch. And that is why it felt like everything stopped working at the same time. It did.

The hard part, said plainly.

The tailwind did your parents' job for them. It will not do yours. From here, the result depends on what you understand and what you choose. That is the responsibility. It is also the opportunity.

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THE NEW MAP

What to do now

Not stock tips. A way of seeing, so you can make your own calls for the rest of your life.

I am not going to hand you a list of things to buy. Tips make you dependent. A map makes you free. So here are the four simple shifts that replace the three dead rules, the ones that keep working whether the wind is at your back or blowing straight into your face.

Measure in real things → **Mind the cost of money** → **Know what you own** → **Hold what you understand**

1. Measure in real things

Stop counting your progress in pounds alone. Pounds shrink. Count it in the things that matter. So how many months of rent does your savings cover? How many weekly shops? A number that goes up while buying less is not really going up.

2. Mind the cost of money

The cost of borrowing is now the weather. When it is high, cash in a safe place earns real money and debt hurts. When it falls, the opposite.

And you do not have to predict it. You just have to stop ignoring it, the way the last 15 years taught you to.

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THE NEW MAP

Know what you own, hold what you understand

3. Know what you own

"The index" is not a magic safe box. We saw that a third of it now sits on a few giant names. So look inside anything before you buy it. If someone cannot explain what is in the box in one plain sentence, that is your answer.

4. Hold what you understand

This is the oldest rule and the most ignored. If you cannot explain in one sentence why you own a thing and how it makes money, you do not own it. It owns you. And the fear in a bad month comes from not understanding. Understanding is the only cure.

The shift in one line.

The old plan asked you to trust the wind and switch off. The new one asks you to understand a few simple things and stay awake. That is harder. It is also the only version that still works.

Where Winston fits

This is the work my mentors drilled into me, and it is the work Winston does every day. We read the boring numbers so you do not have to, and we say them in plain English. So the video and this guide are the free version of that habit. If it helps, there is more.

But you do not need us to start. You need the four shifts above and a quiet hour this week. The next two pages make it concrete.

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WORKED EXAMPLE

On real numbers, not theory

Let us put the whole guide to work on one ordinary life. Take the typical US household income for 2025, about $87,460 a year. Now run the two tests that matter.

Test one: the house, measured in your life

Measure the house in years of your income, not in a sticker price. In 1970 the typical house cost about 2.4 years of income. On that old ratio, a 2025 income would face a house of roughly $210,000. But on today's ratio of about 4.5 years, the same household faces about $393,000.

$210k

the house your income would face on the 1970 ratio of 2.4 years

$393k

the house the same income faces today, at about 4.5 years

Same income. Same house. So nearly double the years of your life. That is Rule 1, measured in a real life rather than a headline.

Test two: the cash you are giving away

Now the cost of money, made personal. Say you keep $10,000 in an everyday account paying you nothing. And with safe yields back around 4%, that money could be earning about $400 a year for doing nothing. So the cost of ignoring Rule 3 is $400 a year, handed to the bank, from one small pot. Now scale that up across every account, every pot and every lazy balance you hold, and the number soon stops being small.

What this example is not.

These are illustrations on round, public numbers, not advice for your situation. The point is the method. Measure in real things. Count the cost of lazy money. Do it with your own figures.

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ACT THIS WEEK

The one-page checklist

Small, concrete steps. And none of them need a spare pound. All of them you can do this week.

- ✓ Measure one thing in real terms. Take your savings and work out how many months of rent, or how many weekly shops, it actually buys. Write the number down. That is your real baseline.
- ✓ Find the rate on your lazy cash. Check what your main account actually pays you. If it is near zero, you have found free money you are giving away.
- ✓ Check what your "safe" index really holds. Look up the top handful of holdings in any fund you own. If a few names dominate, you are more concentrated than you thought.
- ✓ List what you own in one sentence each. For every investment, write one plain line on why you own it. Anything you cannot explain goes on a watch list.
- ✓ Run your own numbers through the calculator. Use prehninstitute.com/compound-interest-calculator and see what a steady return does to your actual figures over 10, 20 and 30 years.
- ✓ Book one quiet hour. Put it in the calendar. Money rewards attention, and attention is the one thing the old plan told you to switch off.

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GLOSSARY

The words, in plain English

Asset. Something you own that can earn or grow. A house, a share in a business, a plot of land. The opposite of a wage, which you have to keep showing up for.

Compounding. When your earnings start earning too. Money makes a little, that little gets added on, and then the whole lot earns together, so a sum that looks dull for years can turn into something serious if you simply leave it to run. And over decades the curve bends sharply upward.

Purchasing power. What your money can actually buy, not the number on the note. So if prices double and your pay stays flat, your purchasing power has halved.

Inflation. The rate at which prices rise, which is the rate at which your money loses purchasing power. In 2022 it hit 9.1% a year.

Yield. What a safe loan or deposit pays you each year, as a percentage. When yields are high, cash can earn real money. But when they are near zero, it cannot.

The 10-year Treasury. The interest rate the US government pays to borrow for 10 years. And it sets the tone for the cost of money across the whole system, including your mortgage.

The S&P 500. An index of 500 large US companies, often sold as "the market". But today a small group of giant technology firms makes up more than a third of it.

Index fund. A fund that simply holds everything in an index. Cheap and sensible, as long as you remember what the index actually contains.

Diversification. Not putting everything in one basket. Owning a true spread of different things, so one bad patch does not sink you.

Real terms. A number after you strip out inflation. The honest number. So always ask for the real one.

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THE DATA ROOM

Every number, sourced

Nothing in this guide is a vibe. Here is the raw table behind every chart, so you can check it yourself. That is the point. And a claim you cannot check, however confident it sounds and however many charts are stacked up beside it, is just an opinion dressed up in a nice font.

What	Then	Now	Source
Median US house price	$23,900 (1970)	$393,300 (Q3 2026)	FRED MSPUS
Median household income	~$9,870 (1970)	$87,460 (2025)	FRED MEHOINUSA646N; Census
House, in years of income	~2.4 years	~4.5 years	Derived from the two rows above
Typical wage growth since 1970	1x	~9x	FRED, rounded
S&P 500 growth since 1970	1x	~65x	S&P, rounded
Purchasing power of the dollar	100% (1971)	~12% (2026)	FRED CPIAUCSL
10-year Treasury yield	15.84% (1981)	5.04% (2026)	FRED DGS10
30-year mortgage rate	2.65% (2021)	7.28% (2026)	FRED MORTGAGE30US
Inflation, peak	-	9.1% (Jun 2022)	BLS CPI
Years to recover a peak, US tech	-	~15 years (after 2000)	FRED NASDAQCOM
Years to recover a peak, Japan	-	~34 years (after 1989)	FRED NIKKEI225

What could change this picture

If this happens	Then the picture shifts like this
The cost of money falls hard again	The old tailwind partly returns. Assets get a lift and debt hurts less. The 40-year pattern would be worth watching again.
Wages finally outrun asset prices for years	Rule 1 heals on its own. The house, measured in years of income, starts getting cheaper rather than dearer.
Index concentration keeps rising	"Buy the market" becomes an even bigger single bet, and true diversification gets harder to find inside one fund.

All figures are public and rounded for teaching. Multiples such as 9x and 65x, meaning how many times the money grew, are illustrative and depend on the exact dates and series used. So check the sources and run your own.

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