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WEALTH MANAGEMENT

WHITE PAPER

American Capitalism Through Election Cycles.

What Changes, What Endures, And How Investors Can Prepare.

Executive Summary

As the 2026 midterm elections approach, investors face a familiar challenge: deciding which political developments deserve a financial response and which mainly increase the urge to act. Control of Congress can affect taxation, regulation, spending, and the environment in which businesses operate. Those consequences warrant attention, but an election result alone cannot tell an investor where markets will move or whether a portfolio should change.

This paper examines how political change interacts with the American economy, what historical election data can reasonably tell us, and how investors can prepare without relying on a forecast. Its perspective is explicitly nonpartisan. Neither confidence in a preferred party nor concern about its opponent should substitute for analysis of a household's objectives, resources, and exposure to risk. The practical conclusion is to review the financial plan while keeping political expectations in proportion to the many forces that influence investment returns.



American Capitalism Is Larger Than Any Election

American capitalism describes a system of private enterprise and capital formation operating within a public framework of laws, institutions, and policy. Companies seek customers, workers contribute skills, entrepreneurs test ideas, and investors provide financing in exchange for expected returns. Competition and innovation can create wealth, but the process also includes business failures, financial losses, and uneven outcomes. Long-term participation requires accepting those risks without assuming that every company, industry, or period will prosper.

Government helps shape this environment. Taxes influence after-tax earnings and household decisions; trade rules affect supply chains; regulation can change costs and competition; and public investment can support infrastructure and research. Policy can strengthen or weaken economic incentives, and adaptation is neither immediate nor costless. Nevertheless, businesses respond to changing conditions by adjusting prices, investment, staffing, products, and financing. Economic activity continues through changes in leadership rather than beginning anew with each election.

For investors, the enduring opportunity lies in the capacity of productive enterprises to respond to demand and change over time. That capacity does not guarantee a return or justify paying any price for an asset. It does support a broader perspective: a diversified investment plan can extend across many administrations, while its success still depends on valuations, profitability, financing conditions, and the risks the investor can afford to bear.

Elections Can Change Policy Without Predicting Markets

Congressional elections influence which legislation can advance, how spending is negotiated, and how oversight is exercised. Households may eventually face changes to taxes, retirement arrangements, health care, or estate planning. Businesses may encounter different incentives, compliance obligations, or demand for their products. A thoughtful review follows proposals through enactment and implementation, distinguishing campaign ambitions from rules that actually apply to the investor.

Turning those developments into a successful trade requires several additional judgments. An investor must anticipate the policy that emerges, the expectations already reflected in prices, the response of businesses and consumers, and the timing of any market adjustment. Interest rates, inflation, earnings, and global events can reinforce or overwhelm the policy effect. Even correctly predicting the winner leaves much of the investment question unanswered.

Table 1. What elections can influence and what they cannot reliably predict

What elections can influence	What investors cannot reliably predict from the result
Tax rates, deductions, and credits	The immediate direction of stock or bond prices
Regulation and enforcement priorities	Which affected companies will outperform
Spending, borrowing, and fiscal negotiations	The magnitude or timing of market reactions
Trade rules and industry incentives	Whether expected benefits are already priced in
Retirement and estate-planning legislation	Long-term portfolio returns or a safe trading window

The Financial Risk of Investing Political Views

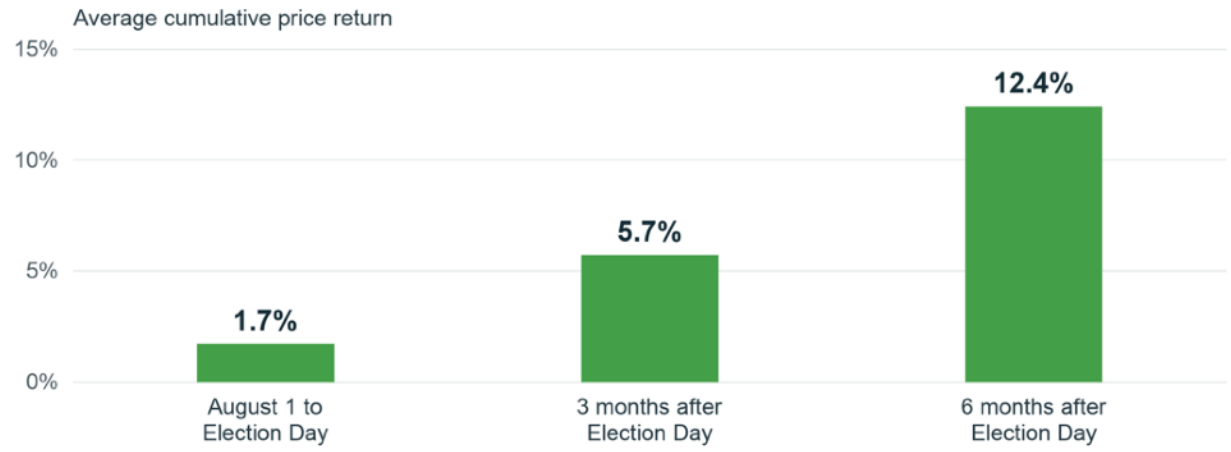
Political convictions can shape how investors interpret evidence. A preferred outcome may encourage excessive confidence, while an unwelcome result may make even a sound allocation feel unsafe. Moving broadly to cash then creates a second decision: when to return. If markets rise while the investor waits, anxiety about politics can become reluctance to reinvest at higher prices. The initial reaction can turn into a prolonged departure from the plan.

Sector bets pose a related problem. A favorable policy does not automatically make an investment attractive if its price already assumes substantial benefits or if competitors capture the gains. Investors can participate fully in civic life while evaluating holdings through expected cash flows, valuation, diversification, and personal financial needs. The portfolio should reflect that analysis across either political outcome.

What History Says About Midterm Elections

Historical midterm data provides useful perspective on the temptation to retreat before a vote. Schwab examined 13 midterm elections from 1974 through 2022. The S&P 500's average price return was 1.7% from August 1 through Election Day, compared with 5.7% in the three months afterward and 12.4% in the six months afterward. Eleven of the 13 three-month periods and all 13 six-month periods were positive.

Figure 1. S&P 500 performance around historical midterm elections



Source: Schwab Center for Financial Research, What the 2026 Midterms Could Mean for the Markets (August 18, 2026). Calculations use Yahoo Finance price data, as of August 14, 2026. Sample: 1974–2022 midterms. Returns exclude dividends and are cumulative, not annualized. Windows differ in length; post-election windows overlap. Past performance does not guarantee future results.

The chart describes an observed pattern, not a forecast for November 2026. Thirteen elections are a limited sample, and an average conceals considerable variation. The figures also compare different holding periods: the six-month bar includes the first three months after the vote, so the two post-election returns must not be added together. These results cannot establish that an election caused subsequent gains or that the same sequence will recur.

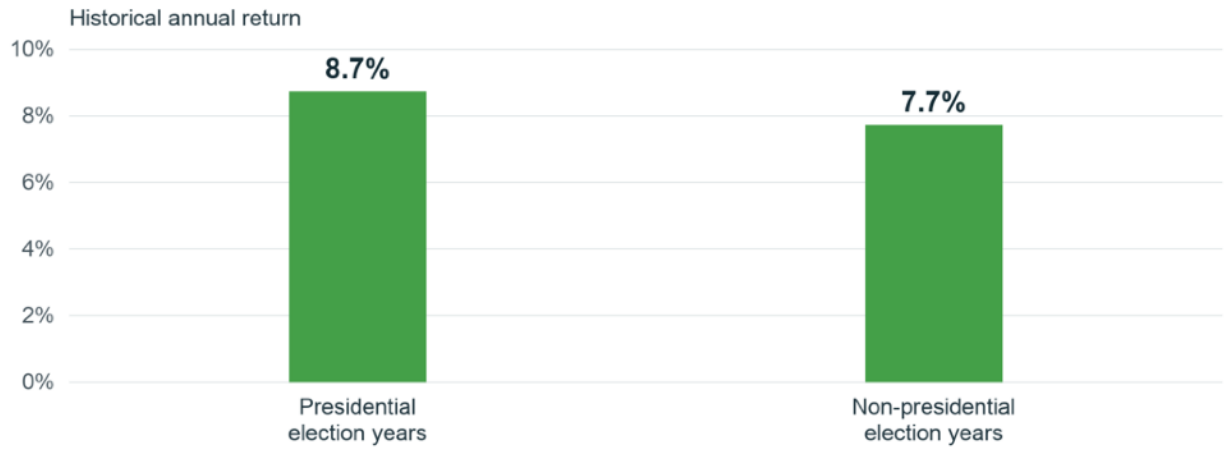
One possible explanation is that the resolution of an election narrows the range of policy outcomes investors must consider. That is an interpretation rather than a conclusion proven by these figures. Economic recoveries, monetary policy, valuations, and earnings also change during the same periods. Using the historical average as a trading rule would require believing that today's circumstances align with those earlier episodes and that prices have not already incorporated the expected pattern.

The evidence is most useful as a check on categorical predictions that an unwelcome political result must produce market losses. It supports reviewing risk with perspective, while leaving room for an outcome that differs from history. A plan should remain workable if post-election gains fail to appear, arrive later than expected, or are interrupted by a substantial decline.

Election Years and the Long-Term Portfolio

A broader comparison comes from Vanguard's historical research on a portfolio of 60% U.S. equities and 40% U.S. bonds. For 1860 through 2020, Vanguard reports annual returns of 8.7% in presidential election years and 7.7% in non-presidential election years, with no statistically significant difference between the groups. The study provides long-run context; it is not a study of midterm-election trading windows.

Figure 2. Historical 60/40 returns by presidential election status



Source: Vanguard, Presidential elections matter, but not so much when it comes to your investments (August 29, 2024). Chart period: 1860–2020; calculations as of December 31, 2023. Historical mix: 60% GFD US-100 Index and 40% GFD US Bond Index. This is an index-based series, not a fund. Non-presidential years include midterms. Past performance does not guarantee future results.

The one-percentage-point gap should not be read as a dependable election-year premium. Statistical insignificance means the comparison does not establish a reliable difference; it does not prove that every policy has no effect. The underlying series also spans major changes in the economy and the investment universe. Its equity index uses a changing set of large U.S. companies, while its bond index represents government bonds. It differs from a contemporary portfolio of global stocks and diversified bonds.

Prepare for Uncertainty Instead of Predicting the Winner

The planning response begins with objectives and obligations. Money needed for retirement withdrawals, education, a purchase, or other near-term spending serves a different purpose than capital intended to compound for decades. Reviewing those commitments before volatility occurs can reduce the pressure to sell growth assets at an inconvenient time. The appropriate amount and form of liquidity depends on the household rather than the election calendar.

Risk capacity also deserves attention. An investor may be comfortable discussing volatility yet unable to absorb a large loss without postponing an important goal. Conversely, keeping too much long-term capital in cash can expose future purchasing power to inflation and missed growth. A suitable allocation balances those competing risks and can be reviewed through scenarios such as weaker earnings, higher rates, or a delayed recovery, without assigning each scenario to a political party.

Preparing Without Predicting

Concentration, taxes, and portfolio drift are concrete places to begin. A successful holding can become large enough to dominate a household's outcome, particularly when investments overlap with an employer or business interest. Rebalancing can address that exposure, but consider sales alongside capital gains, account type, and cash needs. Political concern can prompt a review; the decision itself should have a financial rationale that survives the election result.

Table 2. Preparing Without Predicting

Instead of asking	Review	Practical action
Who will win?	Objectives & allocation	Check whether the investment mix still supports each goal.
Will markets fall?	Liquidity & spending	Identify upcoming withdrawals and their funding sources.
Which sector benefits?	Concentration & valuation	Assess exposure across holdings, employment, & business interests.
Should I move to cash?	Risk capacity & taxes	Evaluate losses the plan can absorb and the costs of selling.
When should I get back in?	Investment discipline	Agree on rebalancing rules & a review schedule before reacting.
Will the rules change?	Enacted policy & timing	Review applicable changes with financial, tax, & legal advisors.

Documenting the process makes it easier to follow when headlines become unsettling. An investor and advisor can agree on allocation ranges, what triggers rebalancing, and which changes in personal circumstances warrant a fresh review. Evaluate new legislation once its provisions and effective dates are clear. This creates a reasoned path for making adjustments while reducing the influence of a momentary emotional response.

Disclaimer: The returns presented in Figures 1 and 2 are based on broad historical market indexes and third-party studies and are provided for illustrative and informational purposes only. These returns do not represent the actual investment performance, client results, or advisory track record of Thryve. Reported returns do not account for the deduction of investment advisory fees, transaction costs, or other expenses, which would reduce actual investment returns. Investors cannot invest directly in an index. Historical performance is not indicative of, nor does it guarantee, future investment results.

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Prepare the Plan, Not the Prediction

Election Day is one date within a financial life that may extend across decades. Political change can affect that life meaningfully, but a sound strategy need not depend on knowing the winner or the market's next reaction. The task is to keep the portfolio connected to its purpose, recognize uncertainty honestly, and adjust when the investor's needs or relevant facts change.

If the approaching election has raised questions about your investments, connect with Thryve to schedule a financial-plan review. A Thryve advisor can help you examine allocation, concentrated positions, liquidity, tax considerations, and long-term goals, then identify practical steps suited to your circumstances. Prepare your plan now so your financial decisions stay grounded through November and beyond.

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