

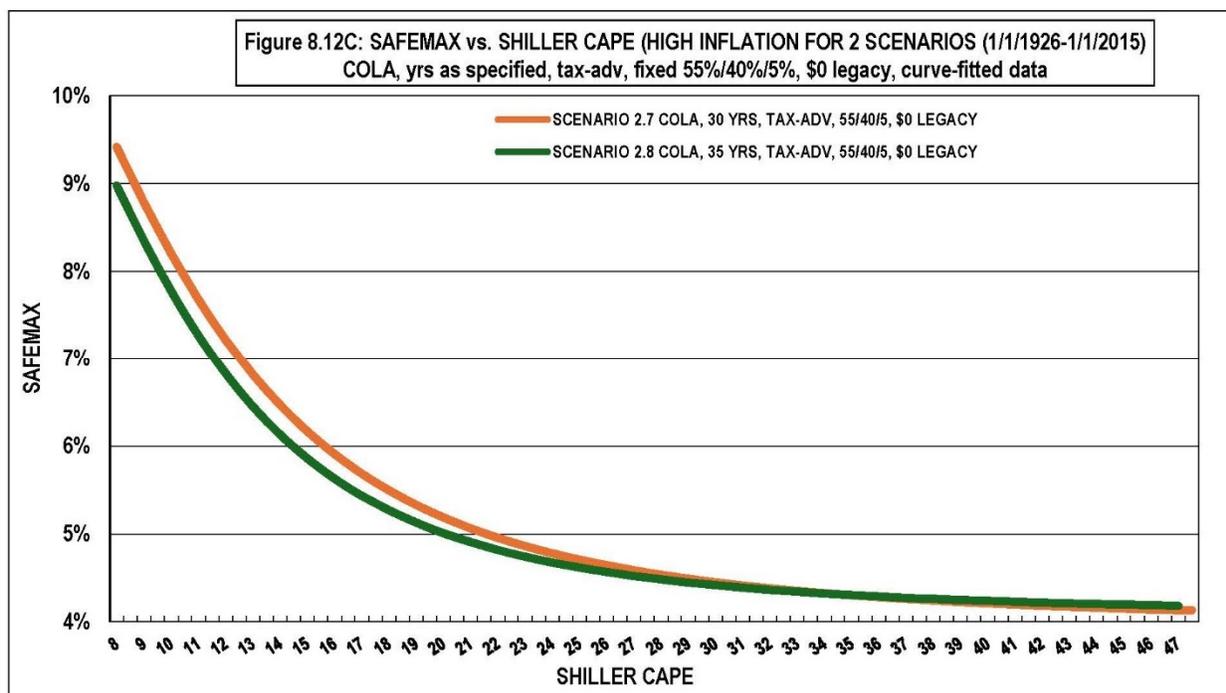
**RESEARCH REPORT #3**  
**SAFEMAN VS. SHILLER CAPE FOR HIGH INFLATION REGIMES:**  
**INSUFFICIENT DATA FOR EXTRAPOLATION**

William P. Bengen 10/19/2025

One of my keen-eyed readers noted an apparent discrepancy in the high-inflation regime SAFEMAX Finder tables for Scenarios 2.7 and 2.8 on my website. I have verified their observation. In this brief paper, I'll explain what happened and what I plan to do about it.

Scenarios 2.7 and 2.8 are identical except for their planning horizons, which are 30 years and 35 years, respectively. One would expect that the scenario with the longer planning horizon would feature consistently lower SAFEMAX values across all retirees.

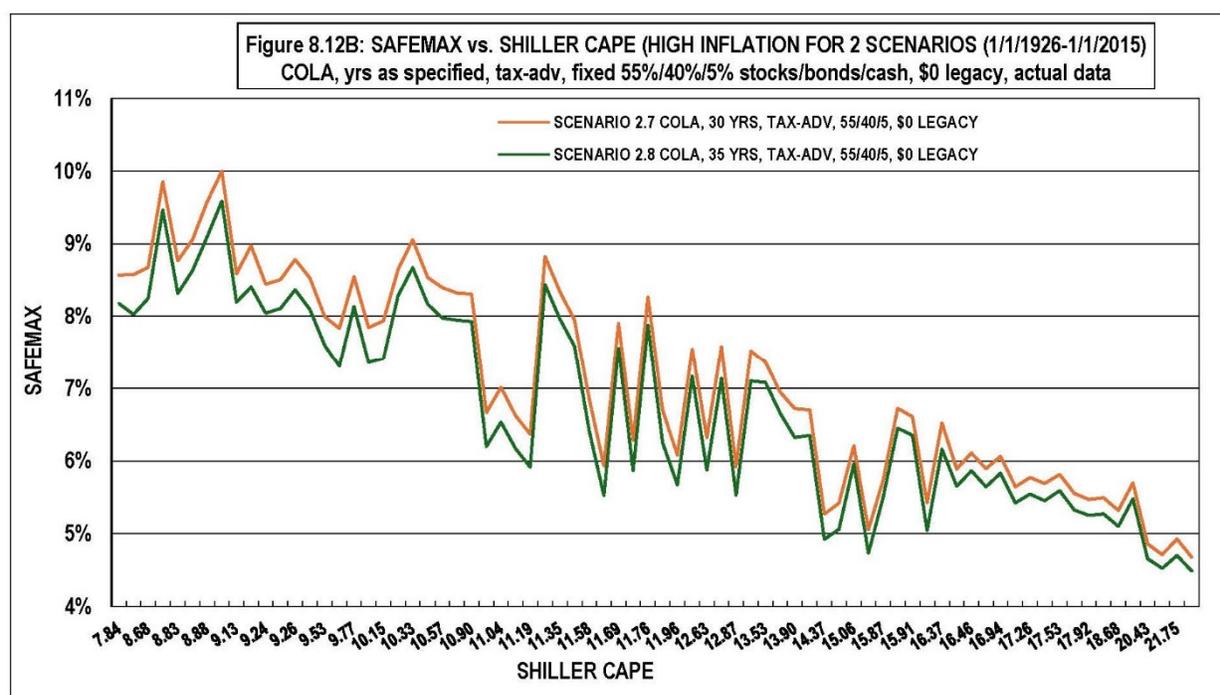
However, comparing the fitted curves for each Scenario tells a different story, as per Figure 8.12C:



The fitted curves are created from curve-fitting software, which seeks to find the mathematical expression which most closely fits the actual data.

Note that through a Shiller CAPE of about 30, the chart meets our expectations: Scenario 2.7 SAFEMAX values are consistently higher than those of Scenario 2.8. However, at about a Shiller CAPE of 32 the charts converge, then cross over, resulting in higher SAFEMAX values for Scenario 2.8.

How does this compare with charts of the actual data for each scenario? Figure 8.12B shows the actual data for each scenario.



As you can see, for all values of Shiller CAPE, Scenario 2.7 has consistently higher SAFEMAX values, without exception. This was our original expectation, and is a strong indication that the fitted curves in Figure 8.12C are incorrect.

Curve-fitting software can be very useful, but it has its pitfalls and limitations. In this case, the highest value of Shiller CAPE in the actual data was only 22. Extrapolating to higher values of CAPE, by use of a fitted curve, failed. Apparently, the lower values of CAPE do not include enough information to reliably extrapolate the curve. In other words, there is no predictive value in the fitted curve.

How should we deal with this situation? My solution is to eliminate from all high-inflation SAFEMAX Finder tables on my website, values above a Shiller CAPE of 22. At this time, that is not a serious inconvenience, for although we are in a high-valuation market, we are experiencing only moderate inflation.

However, should stock valuations remain high, and inflation roars back, we will not have reliable SAFEMAX Finders for high values of Shiller CAPE. It will take years to get secure appropriate values of Shiller CAPE in this circumstance. I for one hope we never enter that scenario, as it would be extremely uncomfortable for retirees.

Yours for a Richer Retirement,

Bill Bengen

