FINANCIAL TIMES
SATURDAY, 12 SEPTEMBER 2026

On Wall Street

The perils of prediction markets

Not only are the odds stacked against those who place bets, but there are also insiders tilting the scales

DAVID BOOTH

I feel about prediction markets the way I feel about drugs — they're probably not a good idea. Prediction markets, which allow people to wager on real-world events such as elections and flight delays with a few clicks, are just the latest example of people being taught to view every uncertain outcome as an opportunity to place a bet.

And they can be addictive, especially for young people chasing an instant rush. It's the latest version of the well-known "lottery effect." Gamblers play the what if game, trading short-term thrills at the expense of long-term consequences.

Everyday people are likely to lose out. Betting on outcomes through prediction markets and the novel — and opaque — investment products linked to them is worse than a zero-sum game; your expected return is negative. It's akin to going to Las Vegas and betting against the house.

Not only are the odds stacked against you, there are insiders tilting the scales. You're also often up against professionals with vast research resources, and there's little transparency to ensure a level playing field. This system really is rigged.

And the people most likely to lose out are the ones who would benefit from a genuine, long-term investing mindset.

A recent Betterment investor survey found that more than a quarter of Gen Z respondents treat sports betting as a deliberate part of their long-term strategy, while more than half have at least once redirected money to sports betting that they otherwise would have invested. Demand for betting-like products could spread more broadly, as the Securities and Exchange Commission is taking a hard look at permitting prediction-market exchange traded funds.

The combined monthly global trading volume on the largest providers of these markets jumped from less than $5bn in September 2025 to $23.8bn in April 2026, according to the Pew Research Center. That's about $10bn more a month than was wagered through legal sportsbooks in the US last year.

Now, I'm not opposed to having a little fun here and there. In fact, when my daughter turned 21, I took her to Las Vegas, where the odds are most definitely stacked against you. This was not a high roller affair — we were at the $5 table, my stack of chips was about the height of a Hershey's Kiss and after a few hours, I'd lost my entire $600 bankroll. But that was money I was willing to lose, and knew I probably would. It wasn't money I was counting on for the future.

Our cultural emphasis on immediacy has helped glorify a mythology of overnight prosperity. But if people had a better understanding of how true investing actually works, they might be better able to avoid speculation and adopt a more enduring path towards long-term wealth.

Compare prediction markets with public markets, where buyers and sellers come together to trade. Each side must feel they got a satisfactory price, at least in voluntary transactions, or they don't trade. If a market has adequate transparency and investor protections, trading volume, disclosure of risks and a reasonable market mechanism, then over time, we should expect prices to be fair.

If prices are fair, then no individual investor should expect to beat the market. This means everyone — insiders, outsiders, and everyone in between — has a fair shot at profiting from it. Someone else does not have to lose for you to win because of the value being created through economic progress. Anyone can benefit from the market's long-term growth, which has resulted in 10 per cent annualised US stock market returns for a century.

There have always been people selling investors on promises rather than science. Fifty years ago, it was stockbrokers telling people what to buy and sell to get rich quick. It took a revolution in financial data to demonstrate that the average stock picker did not add any value. And it took another couple of generations to convince the public that they were better off with a low-cost, diversified portfolio than putting all their savings into Sears or Kodak.

This advancement in financial knowledge gave people the confidence that if they adopted the right perspective — that true investing is a long-term endeavour supported by discipline and tuning out the day-to-day noise — they could reach their financial goals.

The rise of gambling masquerading as investing undercuts those lessons. Rather than betting on the false promise offered by prediction markets, investors are better off owning the genuine progress fuelled by people and companies working to solve real problems. You don't need to predict the future to benefit from it.

The writer is founder and chair of Dimensional Fund Avisors and author of the book 'Stay Calm Learn to Embrace Uncertainty in Investing and Life

© THE FINANCIAL TIMES LIMITED 2026

From January 1926 to December 2025, the S&P 500 Index annualized return was 10.5%. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio.

This information is intended for educational purposes and should not be considered a recommendation to buy or sell a particular security. Named securities may be held in accounts managed by Dimensional.

The information in this material is intended for the recipient's background information and use only. It is provided in good faith and without any warranty or representation as to accuracy or completeness. Information and opinions presented in this material have been obtained or derived from sources believed by Dimensional to be reliable, and Dimensional has reasonable grounds to believe that all factual information herein is true as at the date of this material. It does not constitute investment advice, a recommendation, or an offer of any services or products for sale and is not intended to provide a sufficient basis on which to make an investment decision. Before acting on any information in this document, you should consider whether it is appropriate for your particular circumstances and, if appropriate, seek professional advice. It is the responsibility of any persons wishing to make a purchase to inform themselves of and observe all applicable laws and regulations. Unauthorized reproduction or transmission of this material is strictly prohibited. Dimensional accepts no responsibility for loss arising from the use of the information contained herein.

This material is not directed at any person in any jurisdiction where the availability of this material is prohibited or would subject Dimensional or its products or services to any registration, licensing, or other such legal requirements within the jurisdiction.

"Dimensional" refers to the Dimensional separate but affiliated entities generally, rather than to one particular entity. These entities are Dimensional Fund Advisors LP, Dimensional Fund Advisors Ltd., Dimensional Ireland Limited, DFA Australia Limited, Dimensional Fund Advisors Canada ULC, Dimensional Fund Advisors Pte. Ltd., Dimensional Japan Ltd., and Dimensional Hong Kong Limited.

RISKS

Investments involve risks. The investment return and principal value of an investment may fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original value. Past performance is not a guarantee of future results. There is no guarantee strategies will be successful.

UNITED STATES

Dimensional Fund Advisors LP is an investment advisor registered with the Securities and Exchange Commission.
Investment products: • Not FDIC Insured • Not Bank Guaranteed • May Lose Value
Dimensional Fund Advisors does not have any bank affiliates.

CANADA

These materials have been prepared by Dimensional Fund Advisors Canada ULC. This material is not a sales communication. It is provided for educational purposes only, should not be construed as investment advice or an offer of any security for sale and does not represent a recommendation of any particular security, strategy or investment product.

This material is not intended for Quebec residents

AUSTRALIA

This material is issued by DFA Australia Limited (AFS License No. 238093, ABN 46 065 937 671). This material is provided for information only. No account has been taken of the objectives, financial situation or needs of any particular person. Accordingly, to the extent this material constitutes general financial product advice, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to the investor's objectives, financial situation and needs. Investors should also consider the Product Disclosure Statement (PDS) and the target market determination (TMD) that have been made for each financial product either issued or distributed by DFA Australia Limited prior to acquiring or continuing to hold any investment. Go to dimensional.com/funds to access a copy of the PDS or the relevant TMD. Any opinions expressed in this material reflect our judgement at the date of publication and are subject to change.

NEW ZEALAND

This material is issued by DFA Australia Limited (incorporated in Australia, AFS License No. 238093, ABN 46 065 937 671). This material is provided for information only. This material does not give any recommendation or opinion to acquire any financial product or any financial advice product, and is not financial advice to you or any other person. No account has been taken of the objectives, financial situation or needs of any particular person. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to the investor's objectives, financial situation and needs. Investors should also consider the Product Disclosure Statement (PDS) and for the Dimensional Wholesale Trusts the target market determination (TMD) that have been made for each financial product or financial advice product either issued or distributed by DFA Australia Limited prior to acquiring or continuing to hold any investment. Go to dimensional.com/funds to access a copy of the PDS or the relevant TMD. Any opinions expressed in this material reflect our judgement at the date of publication and are subject to change.

WHERE ISSUED BY DIMENSIONAL IRELAND LIMITED

Issued by Dimensional Ireland Limited (Dimensional Ireland), with registered office 33 Sir John Rogerson's Quay, Dublin 2, D02 XK09, Ireland. Dimensional Ireland is regulated by the Central Bank of Ireland (Registration No. C185067).

WHERE ISSUED BY DIMENSIONAL FUND ADVISORS LTD.

Issued by Dimensional Fund Advisors Ltd. (Dimensional UK), 20 Triton Street, Regent's Place, London, NW1 3BF. Dimensional UK is authorised and regulated by the Financial Conduct Authority (FCA) - Firm Reference No. 150100.

Dimensional UK and Dimensional Ireland do not give financial advice. You are responsible for deciding whether an investment is suitable for your personal circumstances, and we recommend that a financial adviser helps you with that decision.

Dimensional UK and Dimensional Ireland issue information and materials in English and may also issue information and materials in certain other languages. The recipient's continued acceptance of information and materials from Dimensional UK and Dimensional Ireland will constitute the recipient's consent to be provided with such information and materials, where relevant, in more than one language.

NOTICE TO INVESTORS IN SWITZERLAND: This is advertising material.

JAPAN

For Institutional Investors and Registered Financial Instruments Intermediary Service Providers.

This material is deemed to be issued by Dimensional Japan Ltd., which is regulated by the Financial Services Agency of Japan and is registered as a Financial Instruments Firm conducting Investment Management Business and Investment Advisory and Agency Business.

Dimensional Japan Ltd.
Director of Kanto Local Finance Bureau (FIBO) No. 2683
Membership: Investment Management Association of Japan

SINGAPORE

This material is deemed to be issued by Dimensional Fund Advisors Pte. Ltd. (UEN: 201210847M), which is regulated by the Monetary Authority of Singapore and holds a capital markets services license for fund management.

This advertisement has not been reviewed by the Monetary Authority of Singapore or the Central Provident Fund (CPF) Board.

FOR PROFESSIONAL INVESTORS IN HONG KONG

This material is deemed to be issued by Dimensional Hong Kong

© THE FINANCIAL TIMES LIMITED 2026

This material is deemed to be issued by Dimensional Hong Kong Limited (CE No. BJE760) ("Dimensional Hong Kong"), which is licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

This material should only be provided to "professional investors" (as defined in the Securities and Futures Ordinance [Chapter 571 of the Laws of Hong Kong] and its subsidiary legislation) and is not for use with the public. This material is not intended to constitute and does not constitute marketing of the services of Dimensional Hong Kong or its affiliates to the public of Hong Kong. When provided to prospective investors, this material forms part of, and must be Provided together with, applicable fund offering materials. This material must not be provided to prospective investors on a standalone basis. Before acting on any information in this material, you should consider whether it is suitable for your particular circumstances and, if appropriate, seek professional advice.

Neither Dimensional Hong Kong nor its affiliates shall be responsible or held responsible for any content prepared by financial advisors. Financial advisors in Hong Kong shall not actively market the services of Dimensional Hong Kong or its affiliates to the Hong Kong public.

MKT-72146 10/26 5953177

© THE FINANCIAL TIMES LIMITED 2026