

MANAGING PARTNER PERSPECTIVE



MARKET INSIGHT by Peter Wilmot

As I sit down to write this quarter's newsletter introduction, two things are on my mind: the apocalypse du jour of regional banks in crisis, and spring is officially here. It is that time of the year when we see new life all around us. The grass is getting green, leaves are budding on trees, and we are no longer driving to and from the office in the dark. It is with that sense of renewal and optimism that I come to this article.

Despite all of the negativity in financial media right now (or, always for that matter), I can't help but be optimistic about the long-term trajectory for you, our client. Despite all the negativity, the big headline for last year should have been: **The cash dividend of the S&P 500 rose over 10% to a new record high in 2022!** Don't fault yourself if you feel like you missed the headline, that amazing statistic was to be found virtually nowhere but in a few obscure financial [resources](#). It most certainly never appeared in the big headline box—complete with graphics—on the left-hand side of Yahoo Finance's home page.

You might be asking yourself, "With all the negativity in the press, how can we be so optimistic about the future?". And for that I need to add some historical 50-year perspective:

- December 1972: S&P 500 closed the year at 118. No, that's not a misprint. 118. Over the next 50 years, the S&P 500 would cut itself nearly in half on three separate occasions:
 - January 1973 – October 1974: Market fell -48%.
 - March 2000 – October 2002: Market fell -49%.
 - October 2007 – March 2009: Peak to trough return of the S&P 500 was -57%.

I will save you all the terrible things that occurred during each of those time periods, but I will remind you of a few:

- 1973 – 1974: There was Watergate, an oil embargo that tripled oil prices over a matter of months, and skyrocketing inflation.
- 2000 – 2002: The dot com bubble burst, September 11th, anthrax, and the Enron scandal.
- 2008 – 2009: Global financial system meltdown, Lehman Brothers collapse, *failure of banks*, and 10% unemployment rate.

Despite all of that, as of this writing, the S&P 500 sits at just over 3,800. Over 32 times its price in 1972, and that is just price increase. Add in dividend reinvestment, and the average annual return of the great companies in the United States is 10.1% per year since the end of 1972. For reference, inflation as measured by the Consumer Price Index (CPI) over that same period is up 7 times. To further drive the point home, \$100,000 invested in an S&P 500 index fund at the end of 1972, if just left to compound, has grown to something like \$12,284,000.

If, instead, you were retiring in 1972 and taking income from that portfolio, the dividend produced by that same \$100,000 in 1972 was \$2,710 per year. Today it would be \$54,722 per year. A 20 times increase against a cost-of-living increase of 7 times.

And that, I suppose, is the point of this little article. A reminder that, while trying at times, having faith in the great companies in the U.S. and around the world has consistently allowed us the income we need to accomplish the things we hope to accomplish over a 30, 40 or even 50-year retirement. If all we did was set our plan, *and stick with it*, our income increased around 20 times and our expenses increased around 7 times.

If you are finding yourself distracted from this perspective by the apocalypse du jour, I would wholeheartedly encourage you to turn off the news and go out and enjoy the spring weather. Then, call your financial advisor for a financial plan review to renew your optimism for the years ahead.

Best wishes. Happy spring!

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