

# THE KFP PHILOSOPHY

Several years ago, I created the chart on the next page to illustrate how our dividend philosophy would have worked if you had invested \$1 million in the S&P 500® thirty years ago. I like to review this each year with our clients. The chart was recently updated to include 2024.

Our goal in investing for our clients is shown on the front page of each newsletter:

**“Our goal is to build an income stream sufficient to meet your retirement needs. We also want the income stream to increase over time to offset inflation. To do this, we invest in a portfolio of common stocks of some of the best, high quality, financially strong companies in the world.”**

The S&P 500® is an index of 500 different US companies. These are high quality companies. Many (113) of these companies meet our safety requirements and would be purchased if they fell to our buy price. We already own many of these fine companies in our client portfolios.

Note the following:

- The \$1 million investment would have generated \$30,022 in income in 1995. Assuming dividends were taken each year and spent, by 2024 the dividend stream would have risen to \$162,937 per year.
- The compounded annual increase in income over these years was 6.0% (equal to our 6% goal). This was about double the rate of inflation over those years.
- In only 3 of the 30 years did the income decline. From a high of \$36,345 in 1999, it took until 2003 for dividends to reach a new high. After the 21.1% decline in 2009, it took from 2008 until 2012 to reach a new high.
- Although stock prices are volatile, dividends from high quality stocks are not volatile at all. It is rare for income to decline in any year. If there is a decline, the decline is usually small and the recovery time is usually short.
- Note that total dividends collected over the 30 years would have been \$2,227,857, over two times the initial \$1 million investment.
- The “Dividends Spent” column shows the year-end value of the \$1 million investment, assuming the dividends were spent. Note the principal declined in 8 of 30 years, including three straight years 2000-2002. Principal fluctuates much more than dividends.
- Assuming the dividends were spent, the \$1 million investment would have been worth over \$12.8 million at the end of 2024.
- The “Dividends Reinvested” column shows what would have happened if dividends were reinvested rather than spent. At the end of 2024, the \$1 million investment would have grown to over \$22 million. This is a compound rate of return of 10.9% per year.

# Investing \$1 Million in the S&P 500® For 30 Years Beginning 12/31/1994

Year	Dividends	% Change	Dividends Spent		Dividends Reinvested		How Much Are You Paying To Get \$1 of Dividends
			Year-End Value	% Change	Year-End Value	% Change	
12/31/94			\$1,000,000		\$1,000,000		35
1995	\$30,022	4.7	1,341,107	34.1	1,375,762	37.6	45
1996	32,441	8.1	1,612,864	20.3	1,691,650	23.0	50
1997	33,743	4.0	2,112,984	31.0	2,256,032	33.4	63
1998	35,262	4.5	2,676,487	26.7	2,900,783	28.6	76
1999	36,345	3.1	3,199,099	19.5	3,511,143	21.0	88
2000	35,428	(2.5)	2,874,736	(10.1)	3,191,485	(9.1)	81
2001	34,272	(3.3)	2,499,815	(13.0)	2,812,145	(11.9)	73
2002	34,999	2.1	1,915,692	(23.4)	2,190,652	(22.1)	55
2003	37,854	8.2	2,421,060	26.4	2,819,023	28.7	64
2004	42,332	11.8	2,638,796	9.0	3,125,792	10.9	62
2005	48,372	14.3	2,717,987	3.0	3,279,325	4.9	56
2006	54,182	12.0	3,088,162	13.6	3,797,276	15.8	57
2007	60,383	11.4	3,197,161	3.5	4,005,888	5.5	53
2008	61,809	2.4	1,966,708	(38.5)	2,523,805	(37.0)	32
2009	48,784	(21.1)	2,427,984	23.5	3,191,711	26.5	50
2010	49,489	1.4	2,738,346	12.8	3,672,491	15.1	55
2011	57,537	16.3	2,738,259	(0.0)	3,750,048	2.1	48
2012	68,036	18.2	3,105,341	13.4	4,350,176	16.0	46
2013	76,191	12.0	4,024,561	29.6	5,759,132	32.4	53
2014	85,882	12.7	4,482,984	11.4	6,547,463	13.7	52
2015	94,471	10.0	4,450,410	(0.7)	6,638,064	1.4	47
2016	99,507	5.3	4,874,758	9.5	7,431,971	12.0	49
2017	106,543	7.1	5,821,434	19.4	9,054,489	21.8	55
2018	117,030	9.8	5,458,336	(6.2)	8,657,519	(4.4)	47
2019	126,811	8.4	7,034,598	28.9	11,383,457	31.5	55
2020	126,895	0.1	8,178,348	16.3	13,477,879	18.4	64
2021	131,507	3.6	10,377,730	26.9	17,346,754	28.7	79
2022	145,716	10.8	8,360,006	(19.4)	14,205,103	(18.1)	57
2023	153,077	5.1	10,385,677	24.2	17,939,292	26.3	68
2024	162,937	6.4	12,806,475	23.3	22,427,646	25.0	79

<b>Totals</b>	<b>\$2,227,857</b>				<b>Median:</b>
<b>Annual % Change</b>	<b>6.0%</b>	<b>8.9%</b>	<b>10.9%</b>		<b>55</b>

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