

S&P 500® Returns Likely to be Poor (Until the Next **Bear** Market)

A KFP client's mindset...

HAPPY during a **Bear Market!**



Returns for the S&P 500® are likely to be 3% or worse until valuations return to normal. This is less than Money Market returns.

Please review the rightmost column on Page 4. This shows how much \$1 of dividends cost at the end of each year for the past 30 years for the S&P 500®.

As in buying gas or groceries, a lower cost is better.

The median (middle) price per \$1 of dividends is \$55. There are only a few times when the cost was over \$75. The first period was the Tech Bubble of 1998-2001. Unfortunately, we are now in a new Tech Bubble.

DANGER ALERT!

The S&P 500® is now selling at \$82 per \$1 of dividends. This is about 50% higher than the normal price of \$55.

QUESTION: What happens to returns when you buy at overpriced levels?

ANSWER: Your future returns are poor.

For the 10-year period from 12/31/2000 (similar valuation to today) to 12/31/2010 (normal valuation), **the total returns for the S&P 500® were only 1.4% per year including dividends.**

CONCLUSION...

The S&P 500® is very overvalued. If valuations correct over the next 10 years, returns are estimated to be about 3%. However, if valuations correct sooner, returns will be even worse.

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

Current

Totals **\$2,227,857**

82
Median:
55

Annual % Change 6.0% 8.9% 10.9%

-  Stock Market is **expensive**
-  Stock Market is **normally valued**

Ask Brigitte!



We believe that an annual review of your beneficiary designations is a crucial part of financial planning. This simple but important process can help prevent future complications and give you peace of mind that your assets will go exactly where you want them to go.

Why should you regularly review and update your beneficiary designations?

Reviewing your beneficiary designations ensures that your assets are distributed according to your current wishes and life circumstances. Major life events such as marriage, divorce, the birth or adoption of a child, or the death of a beneficiary often dictate changes. Updating your beneficiary designations can be done at any time while you are living.

What are the risks of not keeping your beneficiary designations up to date?

If beneficiary designations are outdated, your assets could go to someone you no longer wish to benefit or exclude loved ones unintentionally. **Beneficiary designations on financial and retirement accounts override instructions in your Will.** If they remain unchanged, your assets will be distributed based on the most recent beneficiary forms on file, even if your Will specifies otherwise. This can result in family conflict.

How do beneficiary designations help streamline estate distribution?

Beneficiary designations allow assets to bypass the probate process and be transferred directly to the designated beneficiaries. Typically, this makes the asset distribution process faster and less costly. It also can reduce the administrative burden during a difficult time and potentially minimizes legal complications for your heirs.

Each year, we send all clients an account list showing the current beneficiary designations for accounts we manage. If you have questions about your beneficiary designations or need guidance on updating them, please contact our office. We are always happy to provide the necessary forms so you can update your beneficiaries whenever needed. We can work closely with your attorney to confirm your beneficiary forms align with your overall estate planning goals.

Have a question you would like answered in a future newsletter? Email me at bpalumbo@keystonefin.com!