

## 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**

**Median:**

**55**

**Annual % Change**

**6.0%**

**8.9%**

**10.9%**



**Stock Market is expensive**



**Stock Market is normally valued**