

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 2025.

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 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 \$24,189 in income in 1996. Assuming dividends were taken each year and spent, by 2025 the dividend stream would have risen to \$128,132 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 \$27,100 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 \$1,766,952, almost 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 \$11.1 million at the end of 2025.
- The “Dividends Reinvested” column shows what would have happened if dividends were reinvested rather than spent. At the end of 2025, the \$1 million investment would have grown to over \$19 million. This is a compound rate of return of 10.4% per year.

Investing \$1 Million in the S&P 500 For 30 Years Beginning 12/31/1995

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	
12/31/95			\$1,000,000		\$1,000,000		45
1996	\$24,189	8.1	1,202,637	20.3	1,229,610	23.0	50
1997	25,160	4.0	1,575,552	31.0	1,639,841	33.4	63
1998	26,294	4.5	1,995,730	26.7	2,108,492	28.6	76
1999	27,100	3.1	2,385,417	19.5	2,552,144	21.0	88
2000	26,417	(2.5)	2,143,555	(10.1)	2,319,794	(9.1)	81
2001	25,555	(3.3)	1,863,994	(13.0)	2,044,063	(11.9)	73
2002	26,097	2.1	1,428,442	(23.4)	1,592,319	(22.1)	55
2003	28,226	8.2	1,805,270	26.4	2,049,063	28.7	64
2004	31,565	11.8	1,967,626	9.0	2,272,044	10.9	62
2005	36,069	14.3	2,026,675	3.0	2,383,642	4.9	56
2006	40,401	12.0	2,302,697	13.6	2,760,126	15.8	57
2007	45,025	11.4	2,383,972	3.5	2,911,760	5.5	53
2008	46,088	2.4	1,466,482	(38.5)	1,834,478	(37.0)	32
2009	36,376	(21.1)	1,810,433	23.5	2,319,959	26.5	50
2010	36,902	1.4	2,041,855	12.8	2,669,423	15.1	55
2011	42,903	16.3	2,041,790	(0.0)	2,725,797	2.1	48
2012	50,731	18.2	2,315,507	13.4	3,162,012	16.0	46
2013	56,812	12.0	3,000,925	29.6	4,186,140	32.4	53
2014	64,038	12.7	3,342,750	11.4	4,759,154	13.7	52
2015	70,443	10.0	3,318,462	(0.7)	4,825,009	1.4	47
2016	74,198	5.3	3,634,877	9.5	5,402,076	12.0	49
2017	79,444	7.1	4,340,769	19.4	6,581,435	21.8	55
2018	87,263	9.8	4,070,024	(6.2)	6,292,889	(4.4)	47
2019	94,557	8.4	5,245,369	28.9	8,274,292	31.5	55
2020	94,619	0.1	6,098,209	16.3	9,796,664	18.4	64
2021	98,058	3.6	7,738,185	26.9	12,608,833	28.7	79
2022	108,653	10.8	6,233,663	(19.4)	10,325,261	(18.1)	57
2023	114,142	5.1	7,744,111	24.2	13,039,531	26.3	68
2024	121,495	6.4	9,549,186	23.3	16,301,980	25.0	79
2025	128,132	5.5	11,114,088	16.4	19,216,769	17.9	87

Totals	\$1,766,952				Median:
					55
Annual % Change	6.0%		8.4%	10.4%	

Source: Table prepared from S&P Global index returns before fees.