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Spring Cleaning & A Glimpse into The Past

"Success is neither magical nor mysterious. Success is the natural consequence of consistently applying the basic fundamentals."

-Jim Rohn

While doing some Spring (Summer) Cleaning, I came across a box of old media pieces I had written which was buried in the garage. In that box, I found a few fun items in this impromptu time capsule. Amongst the clippings and magazines was a newspaper article I wrote in 1976 about investing in mutual funds. There was a transcript of a speech I gave before the Washington Kiwanis Club in 1985 about the stock markets historical returns. Also in there, were decades of quarterly commentaries I had penned for our clients. One, in particular, stuck out to me. In October 1988, I had concluded a commentary with: "In other words, value investing will again be a consistent, prudent, plodding, conservative way to make superior returns. It's just the way we want it."

Back in 1988, I was in a local group of about 30 financial planners, investment advisors, or stock/insurance brokers who met several times a year. We discussed the markets, technology, client relationships and other topics we believed would benefit our clients and our businesses. Most of that group either retired, quit the business, or sold out. The ones in the commission side were the first to disappear. The product salespeople received fat commissions on what they sold, but typically couldn't get clients to stick around for lasting relationships.

Those of us who started out as fee-only that also embraced a market-driven approach to investing seem to be the survivors. We've been in business for coming up on 40 years. I like to think that the reason we're here today is because of the decisions we've made over the years to always do what's right for our clients.

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I wasn't done in the garage. I came across another article, though not written by me:

USA TODAY'S MARKET SCOREBOARD (November 23, 1983)

Honestly, I don't know why we ever saved this one. The headline on page 68 was, *"Dow 10 points short of record close"*. The first paragraph of the article stated that the Dow "stretched its reach 7.01 points to finish at its second-highest close ever of 1275.81 Tuesday."

Wealth Management & Investment Counseling for Individuals & Institutions
51 Monroe Street • Suite PE 25 • Rockville, MD 20850 • (301) 670-0994 • Fax (301) 670-0996

With the Dow hitting 20,000 last year, it feels like another lifetime ago when it sat just above 1,000. What percent return is that? I wondered.

A quick rate of return calculator shows us, for 33 years and 7 months, the annualized compounded rate of return for the Dow was 8.72% and 8.34% for the S&P 500. Importantly, these returns do not account for dividends. I pulled a chart of each year's dividend yield for the S&P 500[1]. A few calculations revealed that, through June 30, 2017, the average annual dividend yield for the S&P 500, over this period, was 2.41%.

With those dividends reinvested, the S&P 500 has produced an annualized total return of 10.94%, since that USA Today scorecard was printed[2].

There have been highs and lows in that journey, but if history has taught us anything, it's that the prudent, long-term investor has been rewarded.

Have a wonderful summer. Derek, John, Stacie and Jon

[1]"S&P 500 Dividend Yield by Year", Multipl, accessed July 10, 2017.
[2]Data Source: Morningstar, as of June 30, 2017

Derek Johnson is an Investment Advisory Representative of Ferguson-Johnson Wealth Management, a values-based investment management firm located in Maryland. Derek Johnson can be reached at (301)670-0994 or djohnson@mymoneymanager.com.