

From the Jerusalem office:

A Point to Ponder

Its never the right
time to invest!

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In the many years of meeting with individuals about financial issues, I have kept a mental 'batting average' regarding investment attitudes.

Most feel that they need to invest as a means to grow wealth. 95% say increasing Net Worth^A has to come from investments as well as from the fruits of hard labor.

However, when encouraged to get this wealth stream started, at least 75% say: Now is not the right time. They are voting in the opposite direction!

The reasons not to start now are many, ranging from being overworked, to simple procrastination, but more often stating that 'I am fairly certain the markets will soon crash'. (Whether or not an 'impending crash' is the deterrent, one should always enter investing with mathematical prudence to dramatically reduce this worry.)

The accompanying graph thoroughly debunks the excuse 'Now is not the right time to invest'. Now is almost always a great time to invest, is definitely true for money that could be invested for 10 years or more, for retirement, weddings, education, etc. Yes, there were bad years and decades, but the long-term results for money that was untouched long-term are indisputable.^B

For shorter term needs, Now is also always the right time to invest. The chart also provides the

answers. The difference between 3 month T-Bills^C and bank savings accounts, vs longer term, 10 year Treasury Bond rates is significant.

Using combinations of fixed income returns and moving up the risk ladder to Utility shares with their decent dividends, high grade Corporate Bonds and Blue Chip shares, allows one to have blended portfolios that create higher returns with controlled risk and volatility.

The most exciting development is that there is no longer a wealth barrier for getting started. Each one of the investment types mentioned here can be bought easily via a well-managed and regulated Exchange Traded Fund (ETF) type security. The minimum purchase is one share!

Everyone needs to begin as early as possible^D, and continue automatically allocating part of monthly income to building a portfolio that is sensible for their needs.

We would be thrilled to assist you to get started and help you monitor your progress towards greater financial freedom.

Regards,

F. Mark van Gelderen

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^A Net Worth is the total value of everything you own.

^B Study after study shows that the Psychology of Investing for most people goes in the opposite direction of the basic investment rule to Buy Low and Sell High.

^C A T-Bill is a short-term US Treasury Bond

^D Request a copy of our compound interest handouts to help you understand the importance of early and continuous investing.

Annual Returns on Stock, T.Bonds and T.Bills: 1928 - Current

The raw data for treasury bond and bill returns is obtained from the Federal Reserve database in St. Louis (FRED). The treasury bill rate is a 3-month rate and the treasury bond is the constant maturity 10-year bond, but the treasury bond return includes coupon and price appreciation. It will not match the treasury bond rate each period. For more details, download the excel spreadsheet that contains the same data.

You can get the excel spreadsheet that contains all of this data and more here: <http://www.stern.nyu.edu/~adamodar/pc/datasets/histretSP.xls>

Year	Annual Returns on Investments in			Compounded Value of \$ 100			Stocks - Bills	Stocks - Bonds	Historical risk premium
	S&P 500	3-month T.Bill	10-year T. Bond	Stocks	T.Bills	T.Bonds			
1928	43.81%	3.08%	0.84%	\$143.81	\$103.08	\$100.84	40.73%	42.98%	
1929	-8.30%	3.16%	4.20%	\$131.88	\$106.34	\$105.07	-11.46%	-12.50%	
1930	-25.12%	4.55%	4.54%	\$98.75	\$111.18	\$109.85	-29.67%	-29.66%	
1931	-43.84%	2.31%	-2.56%	\$55.46	\$113.74	\$107.03	-46.15%	-41.28%	
1932	-8.64%	1.07%	8.79%	\$50.66	\$114.96	\$116.44	-9.71%	-17.43%	
1933	49.98%	0.96%	1.86%	\$75.99	\$116.06	\$118.60	49.02%	48.13%	
1934	-1.19%	0.32%	7.96%	\$75.09	\$116.44	\$128.05	-1.51%	-9.15%	
1935	46.74%	0.18%	4.47%	\$110.18	\$116.64	\$133.78	46.57%	42.27%	
1936	31.94%	0.17%	5.02%	\$145.38	\$116.84	\$140.49	31.77%	26.93%	
1937	-35.34%	0.30%	1.38%	\$94.00	\$117.19	\$142.43	-35.64%	-36.72%	
1938	29.28%	0.08%	4.21%	\$121.53	\$117.29	\$148.43	29.21%	25.07%	
1939	-1.10%	0.04%	4.41%	\$120.20	\$117.33	\$154.98	-1.14%	-5.51%	
1940	-10.67%	0.03%	5.40%	\$107.37	\$117.36	\$163.35	-10.70%	-16.08%	
1941	-12.77%	0.08%	-2.02%	\$93.66	\$117.46	\$160.04	-12.85%	-10.75%	
1942	19.17%	0.34%	2.29%	\$111.61	\$117.85	\$163.72	18.84%	16.88%	
1943	25.06%	0.38%	2.49%	\$139.59	\$118.30	\$167.79	24.68%	22.57%	
1944	19.03%	0.38%	2.58%	\$166.15	\$118.75	\$172.12	18.65%	16.45%	
1945	35.82%	0.38%	3.80%	\$225.67	\$119.20	\$178.67	35.44%	32.02%	
1946	-8.43%	0.38%	3.13%	\$206.65	\$119.65	\$184.26	-8.81%	-11.56%	
1947	5.20%	0.57%	0.92%	\$217.39	\$120.33	\$185.95	4.63%	4.28%	
1948	5.70%	1.02%	1.95%	\$229.79	\$121.56	\$189.58	4.68%	3.75%	
1949	18.30%	1.10%	4.66%	\$271.85	\$122.90	\$198.42	17.20%	13.64%	
1950	30.81%	1.17%	4.43%	\$355.60	\$124.34	\$199.27	29.63%	30.38%	
1951	23.68%	1.48%	-0.30%	\$439.80	\$126.18	\$198.68	22.20%	23.97%	
1952	18.15%	1.67%	2.27%	\$519.62	\$128.29	\$203.19	16.48%	15.88%	
1953	-1.21%	1.89%	4.14%	\$513.35	\$130.72	\$211.61	-3.10%	-5.35%	
1954	52.56%	0.96%	3.29%	\$783.18	\$131.98	\$218.57	51.60%	49.27%	
1955	32.60%	1.66%	-1.34%	\$1,038.47	\$134.17	\$215.65	30.94%	33.93%	
1956	7.44%	2.56%	-2.26%	\$1,115.73	\$137.60	\$210.79	4.88%	9.70%	
1957	-10.46%	3.23%	6.80%	\$999.05	\$142.04	\$225.11	-13.69%	-17.25%	
1958	43.72%	1.78%	-2.10%	\$1,435.84	\$144.57	\$220.39	41.94%	45.82%	
1959	12.06%	3.26%	-2.65%	\$1,608.95	\$149.27	\$214.56	8.80%	14.70%	
1960	0.34%	3.05%	11.64%	\$1,614.37	\$153.82	\$239.53	-2.71%	-11.30%	6.11%
1961	26.64%	2.27%	2.06%	\$2,044.40	\$157.30	\$244.46	24.37%	24.58%	6.62%
1962	-8.81%	2.78%	5.69%	\$1,864.26	\$161.67	\$258.38	-11.59%	-14.51%	5.97%
1963	22.61%	3.11%	1.68%	\$2,285.80	\$166.70	\$262.74	19.50%	20.93%	6.36%
1964	16.42%	3.51%	3.73%	\$2,661.02	\$172.54	\$272.53	12.91%	12.69%	6.53%
1965	12.40%	3.90%	0.72%	\$2,990.97	\$179.28	\$274.49	8.50%	11.68%	6.66%
1966	-9.97%	4.84%	2.91%	\$2,692.74	\$187.95	\$282.47	-14.81%	-12.88%	6.11%
1967	23.80%	4.33%	-1.58%	\$3,333.69	\$196.10	\$278.01	19.47%	25.38%	6.57%
1968	10.81%	5.26%	3.27%	\$3,694.23	\$206.41	\$287.11	5.55%	7.54%	6.60%
1969	-8.24%	6.56%	-5.01%	\$3,389.77	\$219.96	\$272.71	-14.80%	-3.23%	6.33%
1970	3.56%	6.69%	16.75%	\$3,510.49	\$234.66	\$318.41	-3.12%	-13.19%	5.90%
1971	14.22%	4.54%	9.79%	\$4,009.72	\$245.32	\$349.57	9.68%	4.43%	5.87%
1972	18.76%	3.95%	2.82%	\$4,761.76	\$255.01	\$359.42	14.80%	15.94%	6.08%
1973	-14.31%	6.73%	3.66%	\$4,080.44	\$272.16	\$372.57	-21.03%	-17.97%	5.50%
1974	-25.90%	7.78%	1.99%	\$3,023.54	\$293.33	\$379.98	-33.68%	-27.89%	4.64%
1975	37.00%	5.99%	3.61%	\$4,142.10	\$310.90	\$393.68	31.01%	33.39%	5.17%
1976	23.83%	4.97%	15.98%	\$5,129.20	\$326.35	\$456.61	18.86%	7.85%	5.22%
1977	-6.98%	5.13%	1.29%	\$4,771.20	\$343.09	\$462.50	-12.11%	-8.27%	4.93%
1978	6.51%	6.93%	-0.78%	\$5,081.77	\$366.87	\$458.90	-0.42%	7.29%	4.97%
1979	18.52%	9.94%	0.67%	\$6,022.89	\$403.33	\$461.98	8.58%	17.85%	5.21%
1980	31.74%	11.22%	-2.99%	\$7,934.26	\$448.58	\$448.17	20.52%	34.72%	5.73%
1981	-4.70%	14.30%	8.20%	\$7,561.16	\$512.73	\$484.91	-19.00%	-12.90%	5.37%
1982	20.42%	11.01%	32.81%	\$9,105.08	\$569.18	\$644.04	9.41%	-12.40%	5.10%
1983	22.34%	8.45%	3.20%	\$11,138.90	\$617.26	\$664.65	13.89%	19.14%	5.34%
1984	6.15%	9.61%	13.73%	\$11,823.51	\$676.60	\$755.92	-3.47%	-7.59%	5.12%
1985	31.24%	7.49%	25.71%	\$15,516.60	\$727.26	\$950.29	23.75%	5.52%	5.13%
1986	18.49%	6.04%	24.28%	\$18,386.33	\$771.15	\$1,181.06	12.46%	-5.79%	4.97%
1987	5.81%	5.72%	-4.96%	\$19,455.08	\$815.27	\$1,122.47	0.09%	10.77%	5.07%
1988	16.54%	6.45%	8.22%	\$22,672.40	\$867.86	\$1,214.78	10.09%	8.31%	5.12%
1989	31.48%	8.11%	17.69%	\$29,808.58	\$938.24	\$1,429.72	23.37%	13.78%	5.24%
1990	-3.06%	7.55%	6.24%	\$28,895.11	\$1,009.08	\$1,518.87	-10.61%	-9.30%	5.00%
1991	30.23%	5.61%	15.00%	\$37,631.51	\$1,065.69	\$1,746.77	24.62%	15.23%	5.14%
1992	7.49%	3.41%	9.36%	\$40,451.51	\$1,101.98	\$1,910.30	4.09%	-1.87%	5.03%
1993	9.97%	2.98%	14.21%	\$44,483.33	\$1,134.84	\$2,181.77	6.98%	-4.24%	4.90%
1994	1.33%	3.99%	-8.04%	\$45,073.14	\$1,180.07	\$2,006.43	-2.66%	9.36%	4.97%

1995	37.20%	5.52%	23.48%	\$61,838.19	\$1,245.15	\$2,477.55	31.68%	13.71%	5.08%
1996	22.68%	5.02%	1.43%	\$75,863.69	\$1,307.68	\$2,512.94	17.66%	21.25%	5.30%
1997	33.10%	5.05%	9.94%	\$100,977.34	\$1,373.76	\$2,762.71	28.05%	23.16%	5.53%
1998	28.34%	4.73%	14.92%	\$129,592.25	\$1,438.70	\$3,174.95	23.61%	13.42%	5.63%
1999	20.89%	4.51%	-8.25%	\$156,658.05	\$1,503.58	\$2,912.88	16.38%	29.14%	5.96%
2000	-9.03%	5.76%	16.66%	\$142,508.98	\$1,590.23	\$3,398.03	-14.79%	-25.69%	5.51%
2001	-11.85%	3.67%	5.57%	\$125,622.01	\$1,648.63	\$3,587.37	-15.52%	-17.42%	5.17%
2002	-21.97%	1.66%	15.12%	\$98,027.82	\$1,675.96	\$4,129.65	-23.62%	-37.08%	4.53%
2003	28.36%	1.03%	0.38%	\$125,824.39	\$1,693.22	\$4,145.15	27.33%	27.98%	4.82%
2004	10.74%	1.23%	4.49%	\$139,341.42	\$1,714.00	\$4,331.30	9.52%	6.25%	4.84%
2005	4.83%	3.01%	2.87%	\$146,077.85	\$1,765.59	\$4,455.50	1.82%	1.97%	4.80%
2006	15.61%	4.68%	1.96%	\$168,884.34	\$1,848.18	\$4,542.87	10.94%	13.65%	4.91%
2007	5.48%	4.64%	10.21%	\$178,147.20	\$1,933.98	\$5,006.69	0.84%	-4.73%	4.79%
2008	-36.55%	1.59%	20.10%	\$113,030.22	\$1,964.64	\$6,013.10	-38.14%	-56.65%	3.88%
2009	25.94%	0.14%	-11.12%	\$142,344.87	\$1,967.29	\$5,344.65	25.80%	37.05%	4.29%
2010	14.82%	0.13%	8.46%	\$163,441.94	\$1,969.84	\$5,796.96	14.69%	6.36%	4.31%
2011	2.10%	0.03%	16.04%	\$166,871.55	\$1,970.44	\$6,726.52	2.07%	-13.94%	4.10%
2012	15.89%	0.05%	2.97%	\$193,388.43	\$1,971.42	\$6,926.40	15.84%	12.92%	4.20%
2013	32.15%	0.07%	-9.10%	\$255,553.31	\$1,972.72	\$6,295.79	32.08%	41.25%	4.62%
2014	13.52%	0.05%	10.75%	\$290,115.42	\$1,973.77	\$6,972.34	13.47%	2.78%	4.60%
2015	1.36%	0.21%	1.28%	\$294,060.84	\$1,977.91	\$7,061.89	1.15%	0.08%	4.54%

Arithmetic Average

1928-2015	11.41%	3.49%	5.23%
1966-2015	11.01%	4.97%	7.12%
2006-2015	9.03%	1.16%	5.16%

Geometric Average

1928-2015	9.50%	3.45%	4.96%
1966-2015	9.61%	4.92%	6.71%
2006-2015	7.25%	1.14%	4.71%

Stocks - T.Bills	Stocks - T.Bonds	Stocks - T.Bills	Stocks - T.Bonds
7.92%	6.18%	2.15%	2.29%
6.05%	3.89%	2.42%	2.74%
7.87%	3.88%	6.06%	8.66%

Risk Premium

Stocks - T.Bills	Stocks - T.Bonds
6.05%	4.54%
4.69%	2.90%
6.11%	2.53%

ST: Short term (3-month Treasury bill)
LT: Long term (10-year Treasury bond)

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By Aswath Damodaran

Source:

http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/histretSP.html

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