

Our Philosophy – Investing can be complex and confusing. Volatility, which is inherent in many investments, can add to the anxiety of the investor. We believe if your investments consistently pay out a cash payment of 6-8% per year, over the long-term you will be doing as well as you could over most market cycles when investing in S&P 500 type of investments. This strategy helps eliminate some of the potential risk that retirees could face if they invest in S&P 500 type of investments, start pulling out a monthly income, and just happen to invest when the S&P returns going forward are minimal or negative for several years. The S&P 500 index peaked at 1,485.46 on August 1, 2000, and didn't consistently stay above that peak for a period of nearly 11.5 years until January 1, 2013.ⁱ This has come to be known as the “lost decade” for investors.

Our Investment Process – We focus our efforts on trying to find investments that payout a continuous income stream. The income stream is independent of market fluctuations, which means whether market values are up or down, the income may still be paid barring certain risks that may be associated with a particular type of income investment. Our job is to minimize the risks associated with the income investments we recommend. An analogy in real estate would be the difference between investing in a vacant lot versus a rented apartment building. The value of the vacant lot and apartment building fluctuate as real estate prices rise or fall. However, in the case of the apartment building, rent continues to be collected whether real estate prices rise or fall. If real estate prices fall the value of your vacant lot is falling and you are receiving no income or return. If real estate prices rise the value of your vacant lot rises but you are still receiving no income or return until you sell. The value of the apartment building also rises with rising real estate prices plus you are getting a monthly income or return. The cash payment from income investments can be used to supplement your income or left to grow and compound.

Historic Examples – In the 1980's, you could find triple A rated corporate bonds yielding 12%+. In the 1990's, you could find utility stocks that had dividend yields of 7-8%. In the 2000's you could find REIT stocks that had dividend yields of 7-8%.ⁱⁱ Currently, we are finding what we feel are attractive yields in select financial, energy-related and preferred stocks.

The S&P 500 index of stocks has been doing well as of late though volatile at times. The returns for the most recent decade have been above the historical averages. A number of money managers are predicting that the S&P 500 returns for the next decade are unlikely to be as high as the most recent decade. We are seeing several estimates that the annual returns will more likely average in the 2-6% area since annual returns for this last decade were above historic averages. The average dividend yield of the S&P 500 for 2023 was 1.5%.ⁱⁱⁱ

Should you invest with us? – If you would like the potential of income payouts on your investments and growth of your principal over the long term, we can assist. The percentage payout will depend on current opportunities and how you choose to diversify your investments with us. We will reinvest and compound for growth if there is no need for current income. Depending on your goals, this specialized total return strategy can be combined with other investment strategies or works well as a standalone strategy. With over 50 years of combined investment experience, we also do comprehensive estate and financial planning.

What comes next-

If you are interested in talking further to discuss your situation, please contact us. Based on the type of relationships that have historically worked best for both parties, we need to determine if your expectations and financial situation are a fit for our investment style.

NOTE: Investors cannot invest directly in an index. Unmanaged indexes (i.e. S&P 500 index) do not reflect management fees and transactions costs that are associated with some investments. Past performance is no

guarantee of future results. Each investment has different risks which may not be suitable for certain investors depending on individual investment objectives and risk tolerances. Consult with a Financial Professional who can assist in evaluating your complete financial profile before investing.

ⁱ S&P 500 Historical Prices by year <https://www.multpl.com/s-p-500-historical-prices/table/by-year>. Prices are not inflation adjusted. Other than the current price, all prices are monthly average closing prices.

ⁱⁱ Standard & Poor's Stock & Bonds Guides (1980-2010)

ⁱⁱⁱ Aswath Damodaran, Annual Returns on Stock, T. Bonds and T. Bills: 1928-Current, NYU 1/1/2024