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Remember — It's not what we make, but what we keep!

FOR THE YEAR

The S&P 500 lost 4.4% (total return) during 2018, breaking a streak of 9 consecutive "up" years for the $22.1 trillion index that was created in 1957. The raw index fell 6.2% but after factoring in the impact of reinvested dividends, the overall decline was reduced by 1.8 percentage points. The S&P 500 consists of 500 stocks chosen for market size, liquidity and industry group representation. It is a market value weighted index with each stock's weight in the index proportionate to its market value. The S+P 500 is considered by most industry professionals to be the broadest measure of how the overall market performs.

LONG-TERM

The S&P 500 has gained an average of +9.8% per year (total return) over the last 50 years (*i.e.*, 1969-2018). The index was down in 2018 but has been positive in 14 of the last 16 years. Over the long-term, the S&P 500 has been up during 39 of the last 50 years, i.e., 78% of the time. For the last 23 years the average rate of return has been approximately 6.85% after adjustments for fees and dividends.

UP VS. DOWN

The split between "up" and "down" trading days for the S&P 500 over the last 50 years (*i.e.*, 1969-2018, encompassing a total of 12,611 trading days) is 53% "up" and 47% "down." The split during calendar year 2018 (there were 251 trading days last year) was also 53/47. The idea is to buy low and sell high, but no one really knows where the high is, so we tend to hold the stock too long, and usually sell at less than the high.

INSIDE THE INDEX

Just 23 of the individual stocks in the S&P 500 gained at least +30% in 2018. 332 stocks finished the year with a stock price lower than where it started the year. Is the average person skilled enough to pick the winners? Usually not. Is the average advisor skilled enough to pick the winners? Also, usually not!!

MISSING THE BEST

The total return for the S&P 500 over the last 10 years (2009-2018) was a gain of +13.1% per year (total return). If you missed the 10 best percentage gain days over the last 10 years (i.e., 10 days in total, not 10 days per year), the +13.1% annual gain falls to a +7.9% annual gain. Can we pick the best day consistently — can anyone?

AVOID THE WORST

The total return for the S&P 500 over the last 10 years (2009-2018) was a gain of +13.1% per year (total return). If you avoided the 10 worst percentage days over the last 10 years (i.e., 10 days in total, not 10 days per year), the +13.1% annual gain rises to a +18.9% annual gain. Can we avoid the worst days consistently — can anyone?

SMALL CAPS

The small-cap Russell 2000 stock index lost 11.0% (total return) in 2018. The small cap index has gained

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+9.0% per year over the last 35 years (1984-2018). The Russell 2000 index is an unmanaged index of small-cap securities which generally involve greater risks. Must we take additional investment risk in order to realize a reasonable rate of return on our money?

FOREIGN STOCKS

The international stock index EAFE lost 13.8% (total return) in 2018. The foreign stock index has gained +8.2% per year over the last 35 years (1984-2018). The EAFE index is an unmanaged index that is generally considered representative of the international stock market. These international securities involve additional risks including currency fluctuations, differing financial accounting standards and possible political and economic volatility. Again, more additional risk. Is it really necessary to support our lifestyles before and during retirement?

BROAD-BASED BOND INDEX

The taxable bond market was up a miniscule +0.01% in 2018 (total return) but has gained +5.1% per year (total return) over the last 25 years (1994-2018). The Bloomberg Barclays US Aggregate Bond Index (created in 1986), calculated using publicly traded investment grade government bonds, corporate bonds and mortgage-related bonds with at least 1 year until final maturity, was used as the bond measurement. The index is a major benchmark for US bond investors. Fairly safe, but still subject to market fluctuation.

BARELY

The YTD total return for the Bloomberg Barclays US Aggregate Bond Index was negative every trading day in 2018 except for the final day of the year (12/31/18). If the index had been down for the year (it gained +0.01% for 2018) it would have been the 1st time in history that stocks (using the S&P 500) and bonds (using the Bloomberg Barclays US Aggregate Bond Index) were negative in the same calendar year. Are we entering new historical Market territory. What lies ahead for all of the traditional stock market indicators?

TEN-YEAR NOTE

The yield on the 10-year Treasury note ended 2018 at 2.68%, up 0.27 percentage points from the 2.41% it finished at on 12/31/17. The 10-year note yield was 2.57% on 8/05/11, the day that the rating agency S&P downgraded the USA from a top-rating that our nation had held for 70 years. Did you know, or remember, that the S&P rating agency downgraded this US ability to re-pay it's debt?

HOUSING

The average interest rate nationwide on a 30-year fixed rate mortgage was 4.55% at the end of 2018. The record low national average was 3.31% as of 11/22/12 or just over 6 years ago. Interest rates are rising. Where will they be this time next year?

BAILOUT NOT NEEDED

No US bank failed in 2018, the first calendar year to achieve that result since 2006 (source: Federal Deposit Insurance Corporation). A good year for Banks?

OIL PRICES

The price of oil ended 2018 at $45.41 a barrel, down 24% from its 2017 close of $60.12. As of 10/03/18, oil was trading at $76.41 a barrel before falling $31 a barrel (off 41%) by year-end. Not a good year for the oil business!

OVERSPENDING

The national debt of the United States was $21.867 trillion as of Friday 12/28/18, an increase of $11.3 trillion over the last 10 years . How long can this pace continue without major consequences to our overall economy?

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WHEELER ANALYSIS AND OPINION

It's not what we make, but what we keep! A few percentage points in gained earnings each year will not make a difference in most of my client's lifestyles, either before, after, or during retirement. In order to try for these few extra percentage points, people can be convinced to take additional risks with their money, and face the possibility of loss of some, or all of these funds. What will make a difference to most of my clients is the loss of their retirement Principal, not a few percentage points of gain each year. This is why I do what I do! My client's funds are safe from loss of Principal, and safe from Market decline. Why would you risk a portion, or all of your Principal, in order to make a return of 8 to 10%, when you can have your money safe, and average 7% over the long term? The return of your money is sometimes more important than the return on your money. Much more on this to come in the next issue!

If you have questions, please contact us at 918-747-0008 or visit us at www.rgwheeler.com

Rob