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Decade in Review

Fred D. Snitzer

fsnitzer@prudentmanagement.com

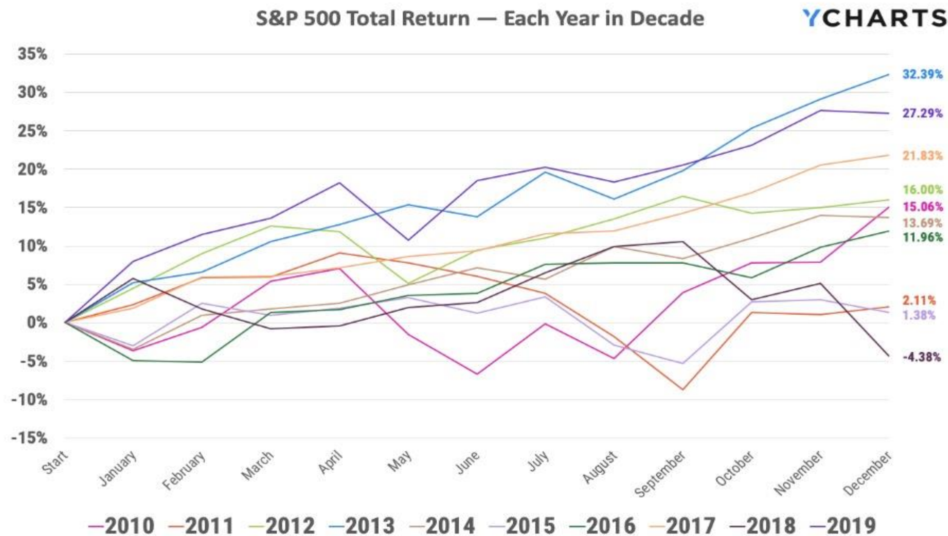
The end of a decade brings with it a flood of retrospectives. Like the end of a year, or a century, we cannot resist the human need to impose meaning on the past, even if we apply a rigid frame like a decade to a past that is inherently random and chaotic.

There is nothing sacred about a decade. None of us woke up on January 1, 2010, and thought to ourselves: “time to create a new zeitgeist, it’s 2010”! Instead, with the events of 2008 still fresh in our minds, we wondered if we were going to experience another cataclysmic event anytime soon. And there were plenty of experts, including the ones who had correctly foreseen the events of 2008 (or at least some version of them), who blanketed the media, telling us that another one was coming, soon.

Nevertheless, the temptation to give meaning to a decade, especially one that has just ended, is just too strong. With that in mind, let’s review the years 2010 through 2019, from the perspective of the financial markets.

Measuring solely by stock market returns, it was a very strong decade.

The chart below, which we included in the mailing, illustrates the returns of the S&P 500 for each year during the past decade. Out of ten years, nine were positive and only one was negative:



Overall, for the entire decade, an investor in the S&P 500 earned an average return of 13.6% per year, way above the average historical return of 9.8%.

But since there is nothing sacred about a decade, and since we stress that long-term returns are the only ones that matter, what happens if we look at the annualized return of the S&P 500 during the previous decade of 2000 – 2009? A paltry -0.95%. When both decades are combined, and the twenty-year period from 2000 through 2019 examined, the S&P 500 returned 6.1%, far below its' historical average of 9.8%.

Continuing with this line of thought, and extending the time period back another twenty years, the decade of the 1990's produced an average return of 18.2% and the decade of the 1980's a 17.5% return. This twenty year period from 1980 through 1999 produced an average return of 17.9%, soundly beating the average historical return of 9.8% and just crushing the next twenty-year period of 6.1%.

Here is a summary by decade:

Name	1980s	1990s	2000s	2010s
S&P 500 TR USD	17.55	18.21	-0.95	13.56

And here is a summary by the two twenty-year periods:

Name	1980 - 1999	2000 - 2019
S&P 500 TR USD	17.88	6.06

This data demonstrates a number of key points: one, over long periods of time, equity markets generally, but certainly not always, produce positive returns; two, there can be large variability in the strength of these positive returns; three, it is impossible to predict these future returns before they occur; and four, there is big element of simple luck in when an investor retires. Someone retiring in 1982 (after the poor returns of 1980 and 1981) hit the retirement jackpot. Someone retiring in the year 2000 drew a bad hand.

Given all of the above, it's best that an investor focus on other questions, like: Where are you in life – are you in retirement, close to it, or twenty years away? Who are you? Can you handle market swings or are you more risk averse? What is your total financial picture? Do you have options - like a second home you could sell, or the ability to work part-time in retirement? Are you a tenured professor with a guaranteed income or an entrepreneur with a volatile income, or, in the words of well-known financial academic – are you a stock or a bond?

2019 was an eventful year for PMA and the 2010s an eventful decade. We take great pleasure in seeing the growth our clients have enjoyed in their wealth over the last ten years, and we hope the next decade will be as positive for our clients as the prior one.