Rodger on Retirement

How a capitalist invests for retirement

Nick Murray taught me that one of the pillars of successful investing is faith in the future. Faith, that by planting seeds today, they will grow and flourish over the fullness of time. If one is fearful of what lies ahead, they may only purchase green bananas, six-month treasury bills, and never make reservations anywhere a year in advance. Investments with a focus on fear or Armageddon might only include gold, silver, guns, ammo, US Treasuries and FDIC-insured CD's.

As I considered this, I realized that for all my personal history of investing, which spans 40 years, my selections of what to purchase always included faith that money invested, would grow over time. Obviously, not all my investments have grown; neither have yours. Yet, when I bought stocks, I purchased them with the expectation that as the company grew their revenues and earnings, the stock price would somehow track those increases, and I would be rewarded.

Today, many people are hypnotized by TV and Internet ads promising quick returns and schemes that guarantee riches. I thought back to conversations I had with my dad around the dinner table when discussions turned toward The Dow Jones™. The Dow is an index of 30 large U.S. companies. The index was first calculated in 1896 by Charles Dow. You see, my dad had invested in a handful of blue chip stocks, names we are all familiar with, and mailed in $25 per month to these share-builder accounts. It was a slow and steady methodology that his dad taught him. My dad mailed those checks for decades. Well, those investments eventually sent my brother, sister and me to college.

It got me thinking about how the markets have performed over longer periods of time. I grew up with Walter Cronkite and the Huntley-Brinkley Report announcing the Dow closing averages every day. I thought I would provide for you a sampling of the closing numbers of the Dow Jones Industrial Average™ on the last trading day of June for the following years. These numbers are from the Securities & Exchange Commission (SEC) website. You will notice that I selected time frames 10 years apart from each other. I did that deliberately, as I wanted to provide a long-term perspective. These are also years where I personally had funds invested in publically traded companies.

June 30, 1975	878.99
June 28, 1985	1,335.46
June 30, 1995	4,556.10
June 30, 2005	10,274.97
June 30, 2015	17,619.51

As you can see, over longer periods of time, the market as measured by the Dow Jones Industrial Average™ has registered significant gains. Study the numbers again. The gains are truly impressive. Yet in the intervening years, the market had large, sudden, and sometimes frightening downturns. I am certain that anyone who let his or her investments accumulate for longer periods of time had faith in the future. That faith was not always rewarded, as investing in markets carries risk of loss.

My point is: any investments you make to grow wealth over a period of years must, by definition, include faith that the funds committed can multiply if left to compound over time. This is faith in the future.

*Keep in mind that individuals cannot invest directly in any index. Past performance does not guarantee future results.