

### Planner Article: Dow 20,000 (Yawn)

On January 25<sup>th</sup>, the Dow closed above 20,000. Wall Street rejoices. A major milestone! Should we be giddy or should we be nervous? Neither, really. It's just a milestone, just a marker along the way.

Let's talk perspective. Here are several major milestones in my life. Alongside each is the Dow that day:

	Dow Jones
1949 Incredibly cute baby boy born	179
1971 Graduates college (GPA 2.01)	912
1984 "Wet behind ears" Financial Planner	1212
1991 Forms Portfolio Advisors	3008
2002 Hires Dustin out of college (GPA 2.02)	7683
2007 Forms Pathways	12,349
2017 Dow hits 20,000	20,000

Crossing 20,000 was a new market high. No big deal. Over the 67 years displayed above, there were many thousands of market highs. They happen all the time. Dime a dozen.

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Dime a dozen. Hmmm. What can you buy today that costs a dime a dozen??? Back in the day, you could buy a dozen eggs, a dozen apples, or a dozen peaches for just a dime. We need our investments to compound at a healthy rate to cope with inflation. In fact, inflation is a major reason that the Dow grew from 179 to 20,000.

What compound rate of return do we need to move from 179 to 20,000? Perhaps less than you might think. About 7%. Yep, over these 67 years, the Dow grew by an average 7% per year. In fits and starts certainly. But grow it did. Inexorably.

	Dow @ 7%
2017	20,000
2027	40,000
2037	80,000

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I can't, with a clear conscience, take this chart any further. It feels preposterous. It seems unbelievable. But, we are simply growing the Dow at its 67-year rate of 7%. You do the math for Year 2047, thirty years away.

What's it all mean? Please don't be surprised by Dow 25,000 or Dow 30,000. Dow 30,000 would be right on schedule in only 5 years!

Here's the kicker. The Dow numbers I play with above and that you hear on the nightly news ignore stock dividends. While the naked Dow itself grew nicely, the Dow clothed in dividends over its entire history (since 1896) grew by 10%. An investment growing at 10% doubles about every 7 years. (Nerds: Rule of 72 still applies.) Let's revisit the chart:

	Dow @ 7%	Dollars @ 10%
2017	20,000	\$20,000
2027	40,000	\$51,800
2037	80,000	\$134,500

So now what does it all mean? Dow 20,000 is merely a stepping stone to Dow 40,000 and beyond. An investment of \$20,000 in the market today might do magical things given time. (Assuming investor patience with the fits and starts.) Investing today at Dow 20,000 or 22,000 or 25,000 still looks mighty good looking back from Dow 80,000. Don't fear the markets. Fear inflation. Invest whenever you can. Now we're talking GPA 4.0!

Dow 20,000. Ho-hum.

-David Williamson, CFP®

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