



faith . discipline . patience

A new decade is exciting! It is a time to look forward to ten years of potential and opportunities. And it is a time for predictions.

Fourteen Wall Street Analysts were recently polled by Business Insider. Ten of them think the S&P 500 will be up (the most optimistic calls for 10 percent return if you include dividends), two think we'll be in the same spot in a year, and two think we'll drop about six percent.

They think interest rates, and therefore bond prices, will be roughly flat.

Unfortunately, none of them talked or were asked about a longer time horizon.

I know, it's hard to resist predicting next year's outcome. The lure of gaining an edge on others is every bit as strong as that of just one more Christmas cookie.

But I firmly believe no one can consistently predict what will happen to investments over as little as twelve months. That's why I don't predict one year out. It's also why I don't trust stocks for the short run, they sometimes drop when experts least expect it.

Instead, I encourage you to take a longer view. Ask what stocks may do over the next ten years? Interest rates? Commodities? Real estate?

It's very instructive to attempt to predict farther out like this. It forces you to look beyond the current headlines and instead focus on the underlying forces behind investments.

Right now, the Dow Jones Industrial index is above 28,000. Where do you think it'll be when 2030 rolls around?

Let's assume stocks double in price over a decade, about average when dividends hover around two percent. With the Dow at 28,000 now it would be at 56,000 in ten years. And at 112,000 in twenty years, and 224,000 in thirty years. I know, the numbers are outlandish, and some of you may not be able to hope to live another thirty years.

But I hope the message is clear. Stocks could very well be a ton higher in years and decades ahead, *so to fret over what the next twelve months may bring and ignore the distinct possibility of it going up significantly in the long run* seems like an opportunity wasted.

The sudden drops is the price we may have to pay to benefit from the potential long-term growth.

If you agree that stock indexes likely will be higher in ten years I can only think of two reasons not to own stocks: 1) you need to draw from the principal sooner than ten years, or 2) you lose your nerve and sell when prices plummet and everything seems scary and bad.

You're only human if point 2 applies to you. It's natural to be drawn to the negative and dramatic. It just grabs us in a way the quiet and slow positive news cannot match. Actually, if you point out potential positives you may be seen as naïve, clueless or, worse, as heartless. "Don't you care about all the suffering and inequality?!"

Well, I'll risk it and trust you to remember that while we face serious challenges that deserve our full attention many things are getting better. In this aspect, I think past performance of innovation and problem solving reflect how things will continue.

Ten years ago, if you were in a strange city you couldn't push on an app on your phone to get a car to show up in minutes and take you to your destination. There was no iPad to watch movies. Entrepreneurs could only dream of a little gizmo to plug into their phone so they could charge on credit cards for the stuff they hoped to sell.

We had no curative treatment for Hepatitis C and no vaccine for Ebola. How many million lives may be saved just because of these two advancements alone? How much suffering avoided?



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So, what on earth will we look back upon in 2030 and wonder how we could live without back in 2020? It's easy to imagine more help from everything being connected to the internet – maybe self-driving cars will actually have happened. That's not a bad thing if you're unable to drive at night or just unable to drive period. Suddenly, 90-year olds may find it easier to get out and about.

Or how about biotech? It seems like change and innovation is only accelerating. Which of today's terminal conditions may be manageably chronic or even curable? Could Alzheimer finally be tamed? How many millions of people would benefit from that! Or MS or ALS.

Don't dismiss the possibilities. Tens of thousands of people are working tirelessly to make it happen.

And what current teenager may in 2030 be a household name all around the world due to her amazing company?

Train yourself to consider the good news along with the bad. It may take a little more effort since the good news most often won't grab the headlines. But it's there, and the effort being poured into yet more improvements is enormous.

Frankly, I think it takes extreme pessimism to think innovation has ended. Remember, discoveries are cumulative, innovation builds on prior discoveries. Newton figured out stuff that today's third graders learn. We stand on the shoulders of giants, indeed.

OK, why this detour through the upside of innovation and change. Because, as an investor you are able to participate and benefit. Many of these companies can be owned by investing in stocks. Or, if you prefer a more stable and possibly less lucrative approach, you can lend them money (buy bonds) which they'll use to pursue success.

As we move through this year and decade I encourage you sometimes to take the longer view towards what may very well be an improved future. Don't look only at all the problems of the day.

Just because we don't know exactly how something will get better doesn't mean it won't happen. That's the faith you need to muster if you want to become comfortable owning stocks for the long run.

Consider the Dow figures above. The difference in investment outcome could be so great that you not only may have missed the opportunity to be financially worry free but you also may have missed the chance to donate huge amounts to your favorite charities as well as to your children, friends and relatives.

I can't wait to see how the 20s unfold. I wish you much joy and happiness in the year and decade ahead.

Good luck.

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Stocks are subject to market risk which means their value may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. Investments in equity securities are generally more volatile than other types of securities.

There is no guarantee that dividend-paying stocks will return more than the overall stock market. Dividends are not guaranteed and are subject to change or elimination.

S&P 500 Index: The S&P 500 Index 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.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted index of 30 "blue-chip" industrial U.S. stocks.

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