ASK THE **ADVISERS**

The views and opinions expressed in "Ask the Advisers" are solely those of Keith Singer.

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Are You Prepared For Another Lost Decade?

Stocks have averaged over 11.8% per year since 1928 through the end of 2021. Wouldn't it be fantastic for purposes of planning one's retirement if the stocks earned over 11% every single year?

Everyone would know exactly how much they would need to save and how much they could spend each year without touching their principal. Unfortunately for those who crave certainty and predictability, the stock market is not going to provide those things. It is nearly impossible to predict stock market returns over any given decade.

I would submit for those who are in or near retirement, the next ten years will be the most critical to determining their financial success over their lifetime. It is important that ten years from now, your investment portfolio has not only provided you with sufficient income but kept up with inflation as well.

Unfortunately for investors, although the S&P 500 has averaged over 11% per year, it has delivered very uneven returns. There have been several extended time periods where the S&P 500 has had negative real returns after inflation. The time periods between 1900-1921, 1929-1949, 1966-1982 and 2000-2008 all saw stocks lose between 40-70% in inflation adjusted returns.

How would such returns impact the success of your current plan?

Conversely, from 1949 to 1966, investors made 4 times their money after inflation and almost 7 times their money between 1982 and 2000. In other words, the stock market is typically a feast or famine situation, and famine usually follows feast and vice versa. Since 2009 to 2021 was also a very prosperous dozen years for stocks, some investors are worried that we could be due for another lost decade or more of negative real returns.

I wish I could tell you what the next decade has in store for investors, but I can tell you that it may make sense to reduce exposure to stocks if you are over exposed to the stock market and you are in or near retirement.

Source: Investopedia