

Evidence That You Can Get Rich Through Stock Investing

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Growth of \$1000

Return	10 years	20 years	30 years	40 years	50 years
-2.0%	817	668	545	446	364
0.0%	1,000	1,000	1,000	1,000	1,000
2.0%	1,219	1,486	1,811	2,208	2,692
4.0%	1,480	2,191	3,243	4,801	7,107
6.0%	1,791	3,207	5,743	10,286	18,420
8.0%	2,159	4,661	10,063	21,725	46,902
10.0%	2,594	6,727	17,449	45,259	117,391
12.0%	3,106	9,646	29,960	93,051	289,002
14.0%	3,707	13,743	50,950	188,884	700,233

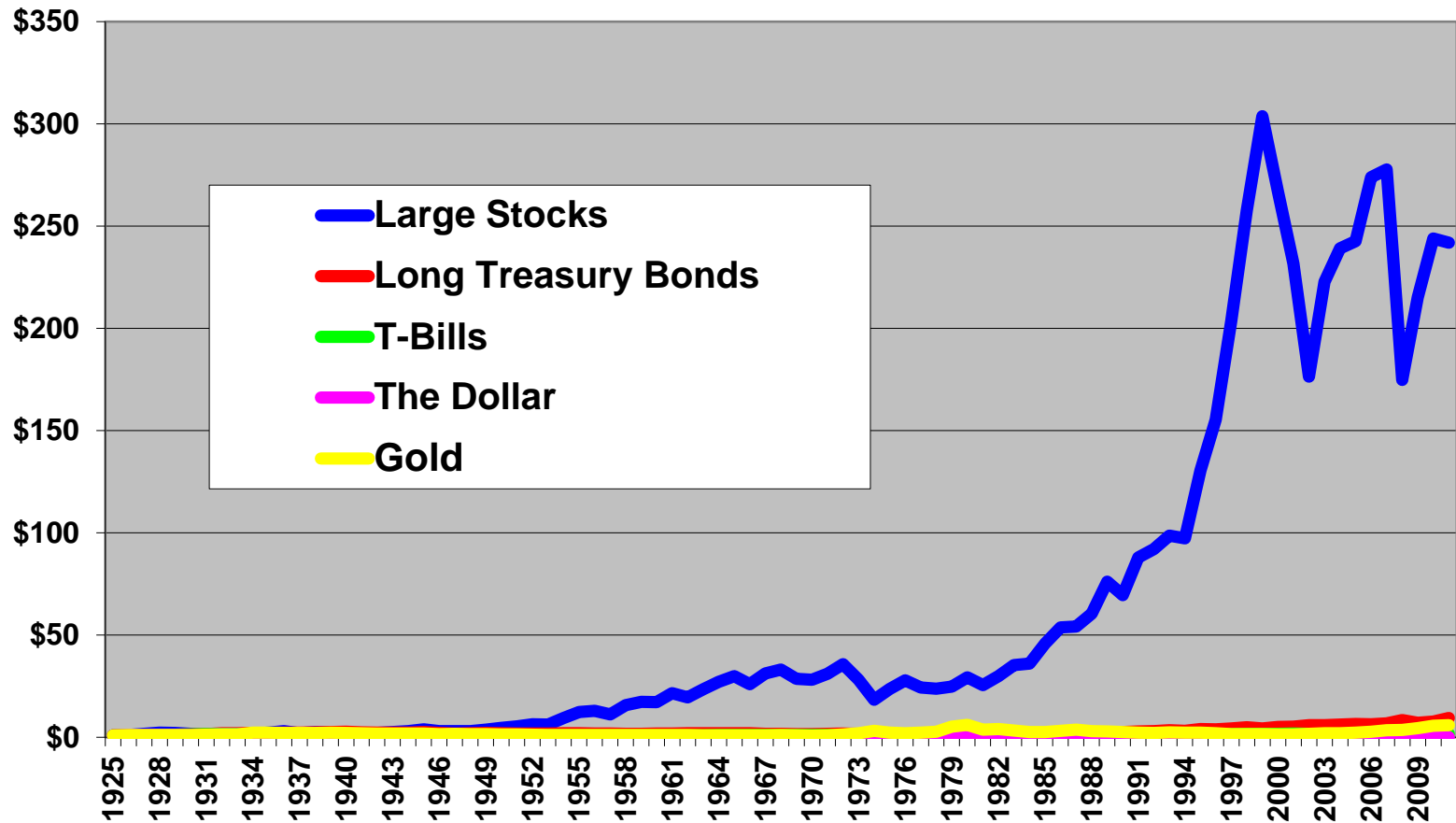
Growth of \$6000 per year

Return	10 years	20 years	30 years	40 years	50 years
-2.0%	54,878	99,718	136,355	166,290	190,749
0.0%	60,000	120,000	180,000	240,000	300,000
2.0%	65,698	145,784	243,408	362,412	507,476
4.0%	72,037	178,668	336,510	570,153	916,003
6.0%	79,085	220,714	474,349	928,572	1,742,015
8.0%	86,919	274,572	679,699	1,554,339	3,442,621
10.0%	95,625	343,650	986,964	2,655,555	6,983,451
12.0%	105,292	432,315	1,447,996	4,602,549	14,400,109
14.0%	116,024	546,150	2,140,721	8,052,151	29,967,128

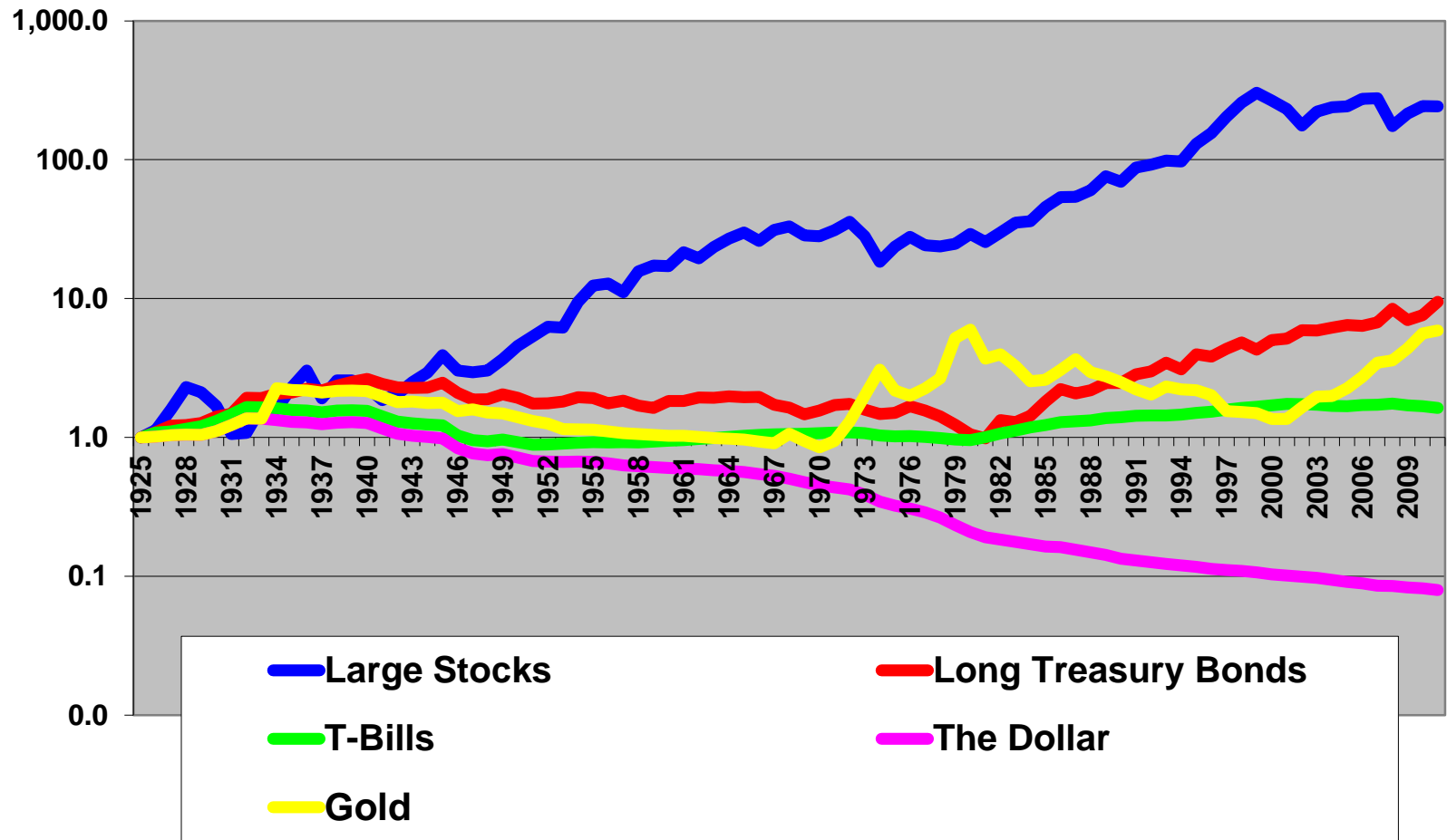
Stocks, Bonds, Bills, Gold and Inflation

Historic Real (After Inflation) Returns

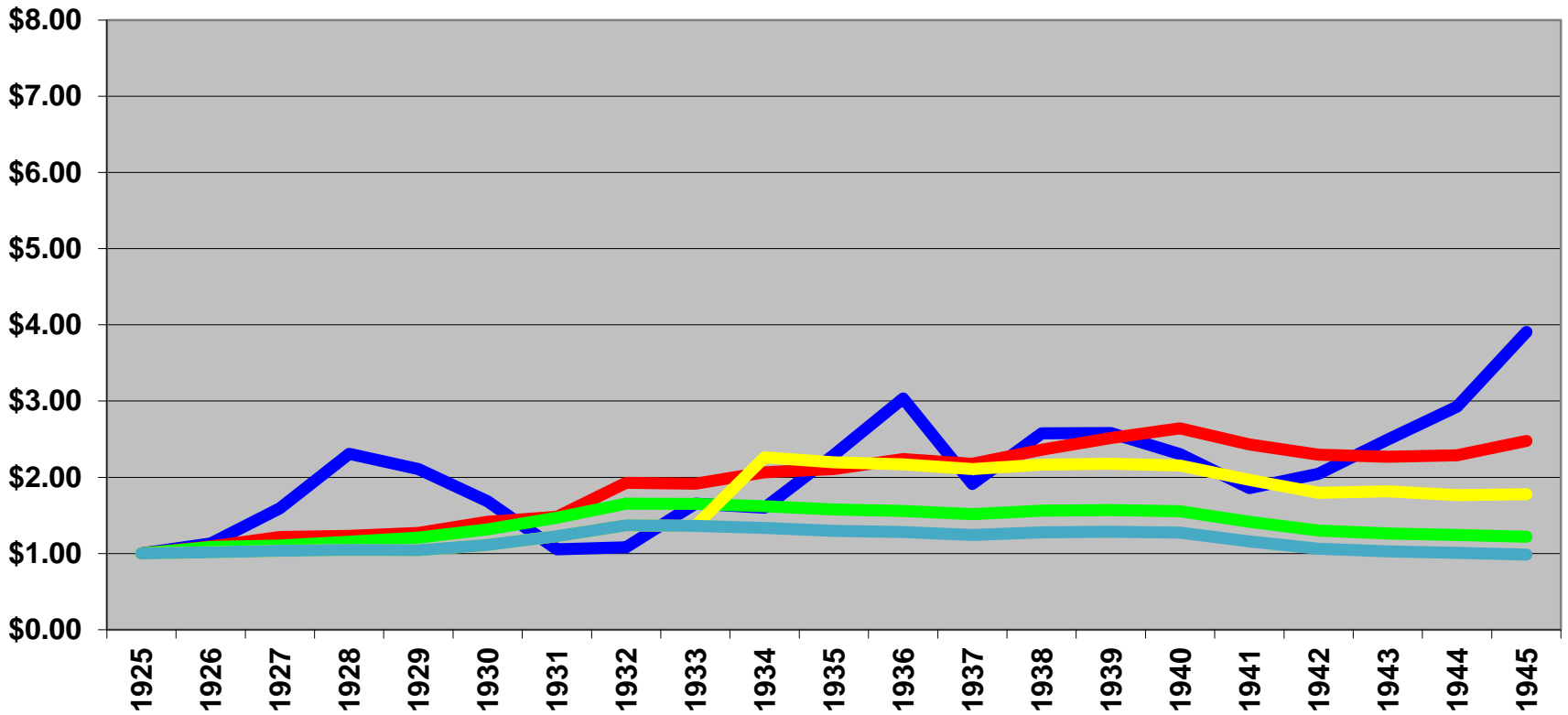
Total Real Returns, Large Stocks, Long Treasuries, T-Bills, The Dollar and Gold 1926 - 2011



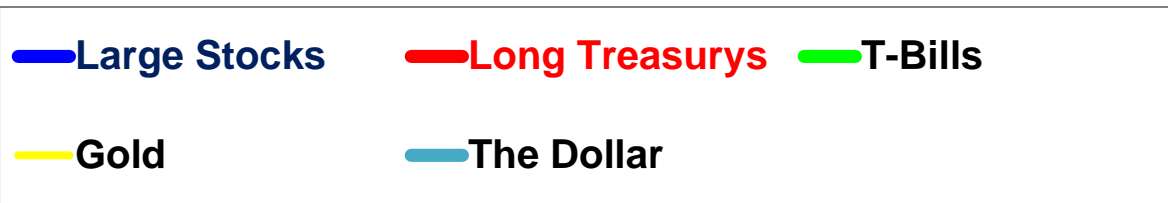
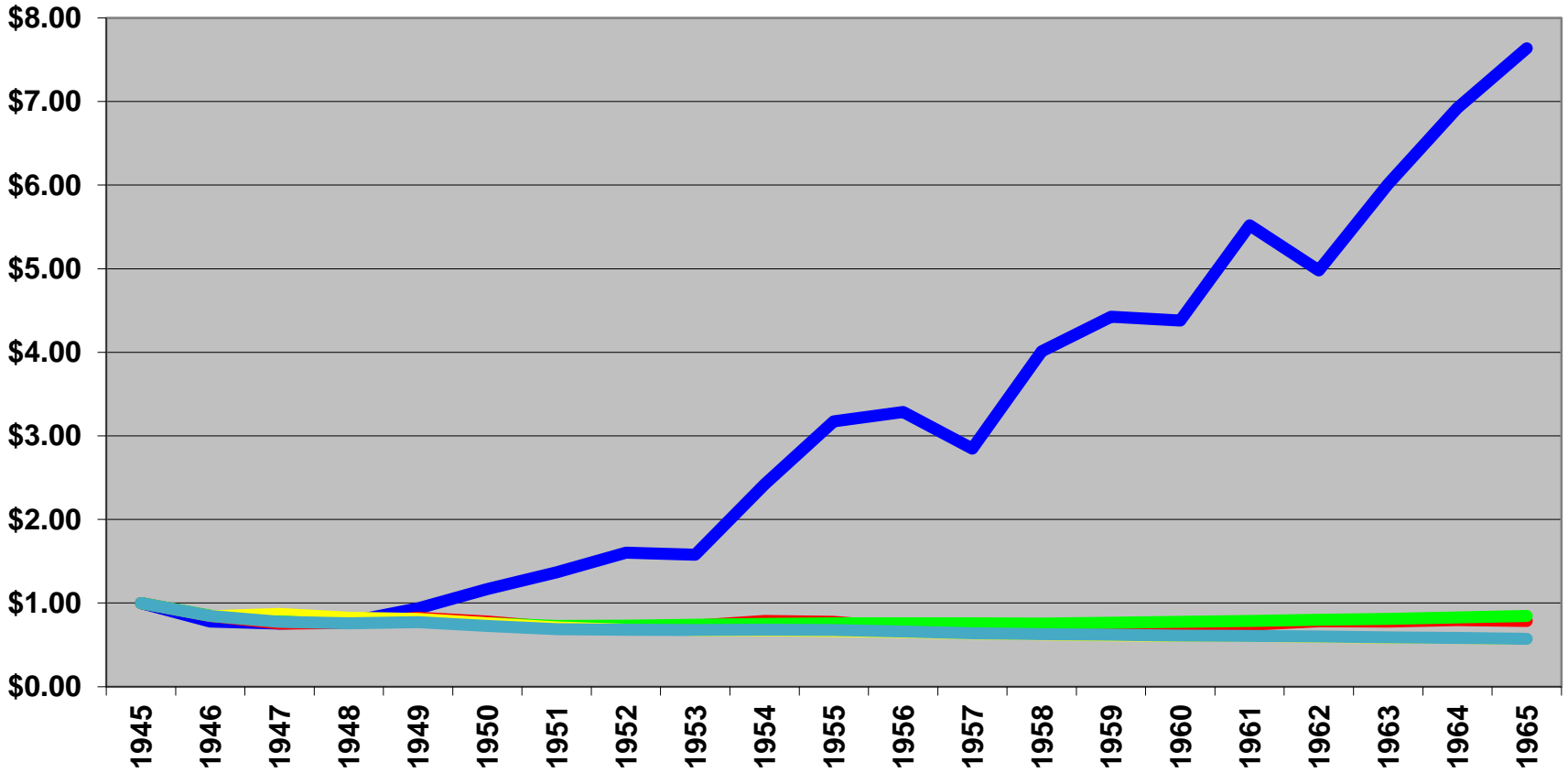
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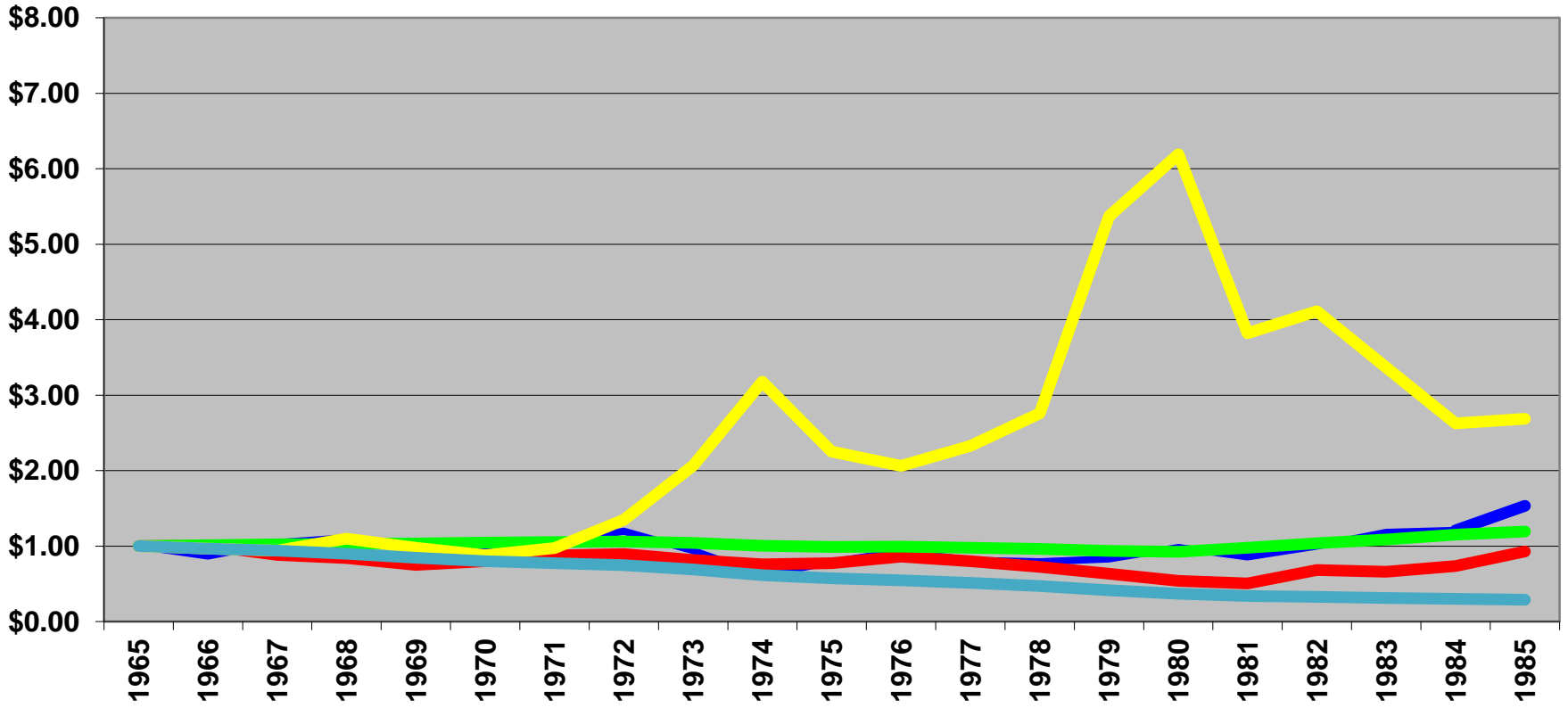
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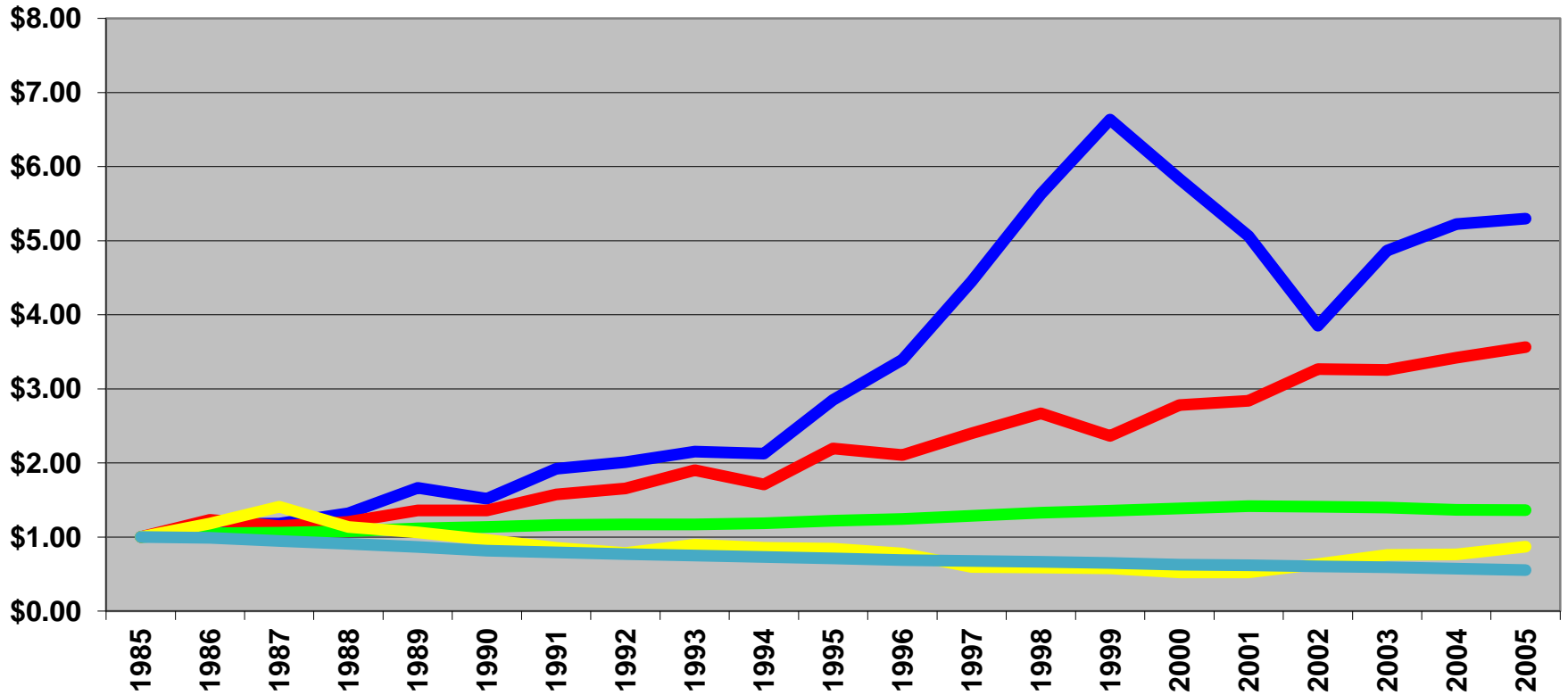
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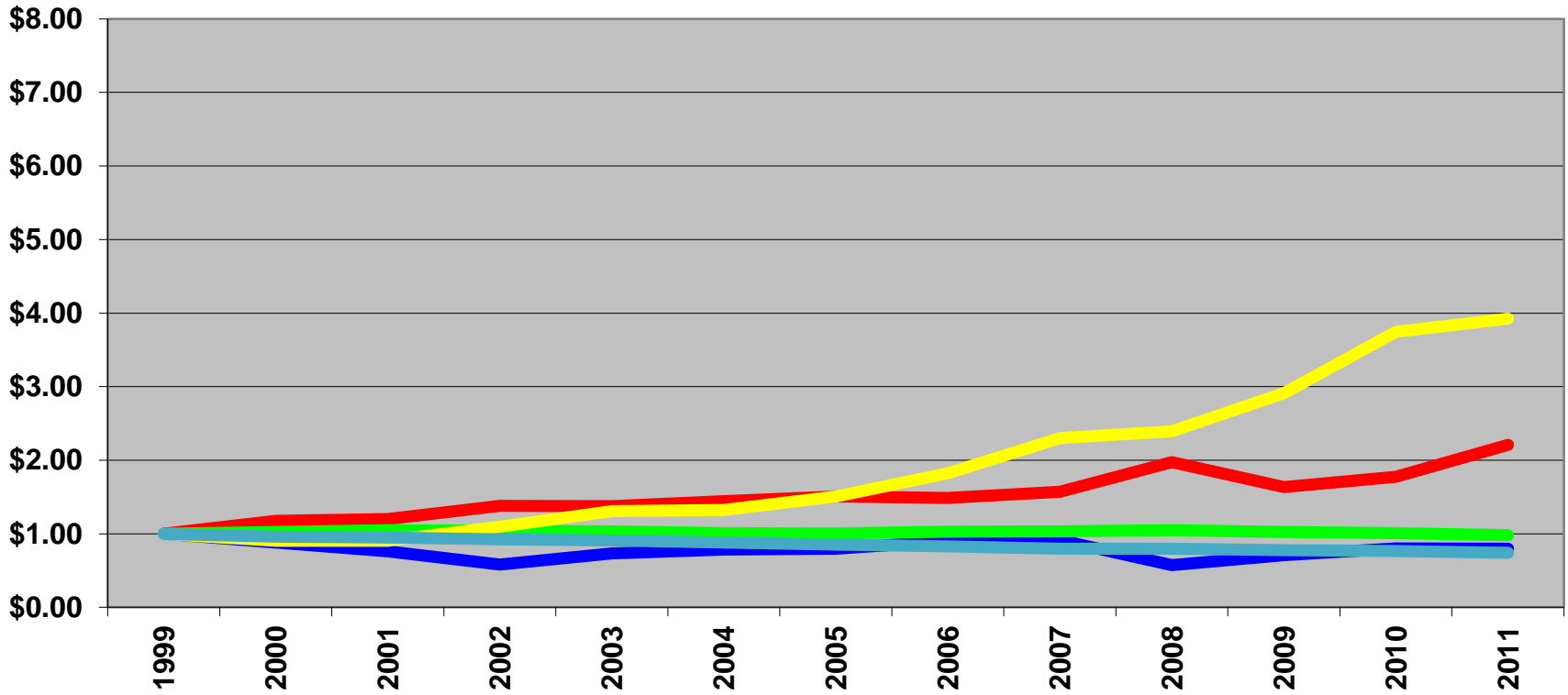
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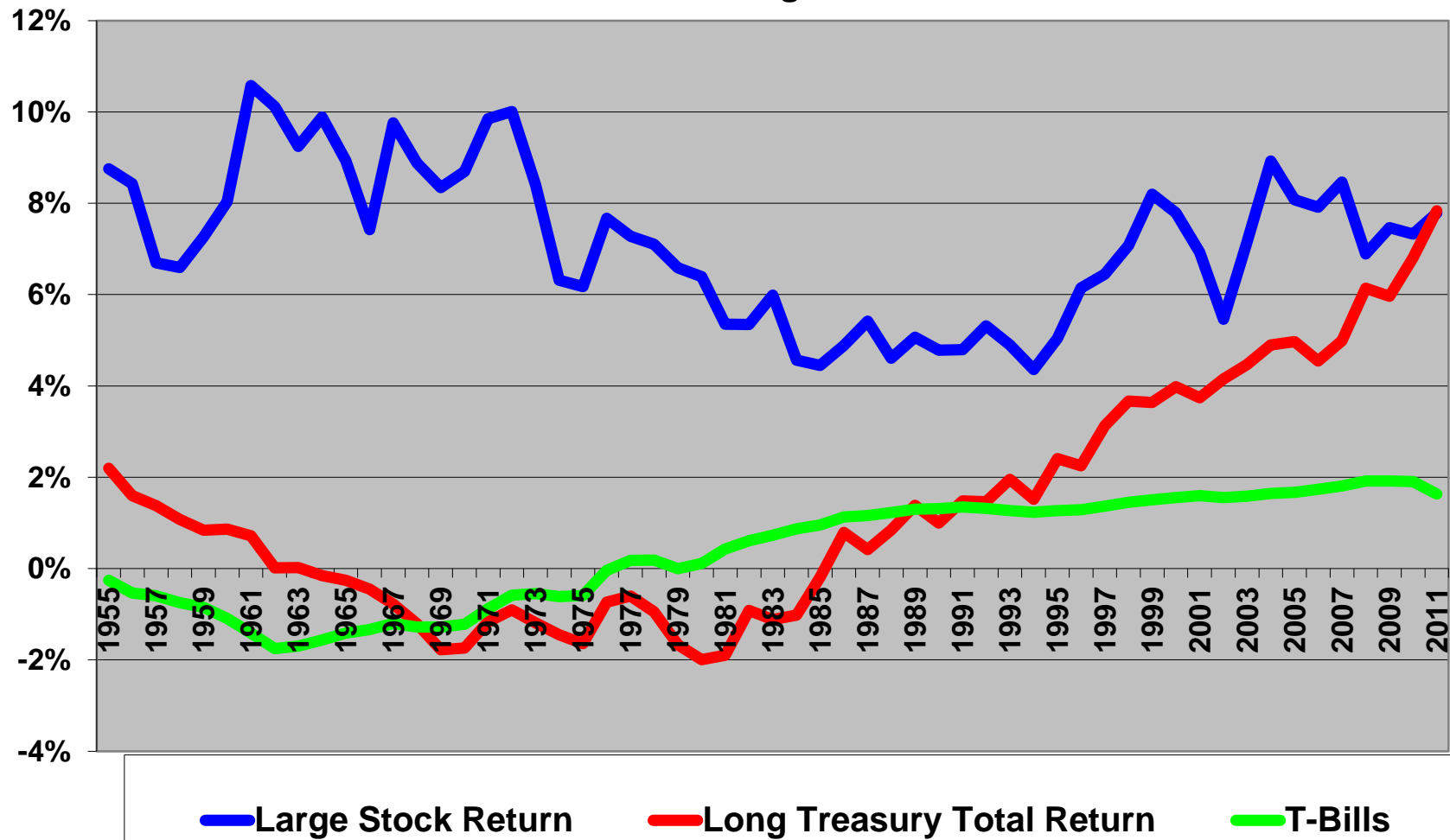
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Total Real Returns, Large Stocks, Long Treasuries, T-Bills, Gold and the Dollar



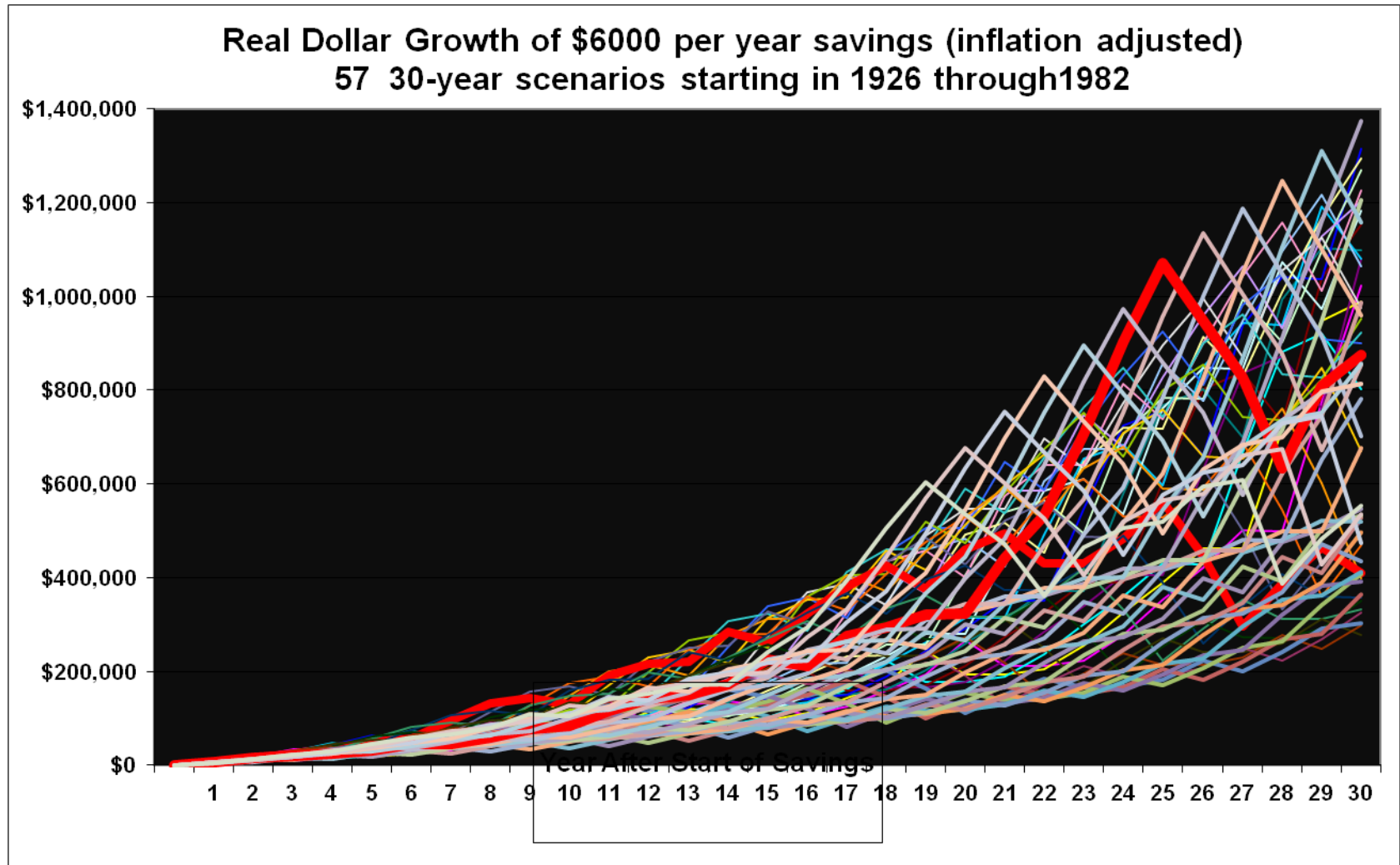
30 Year Compounded Annual Real Returns - For 30 Year Periods Ending 1955 Through 2011



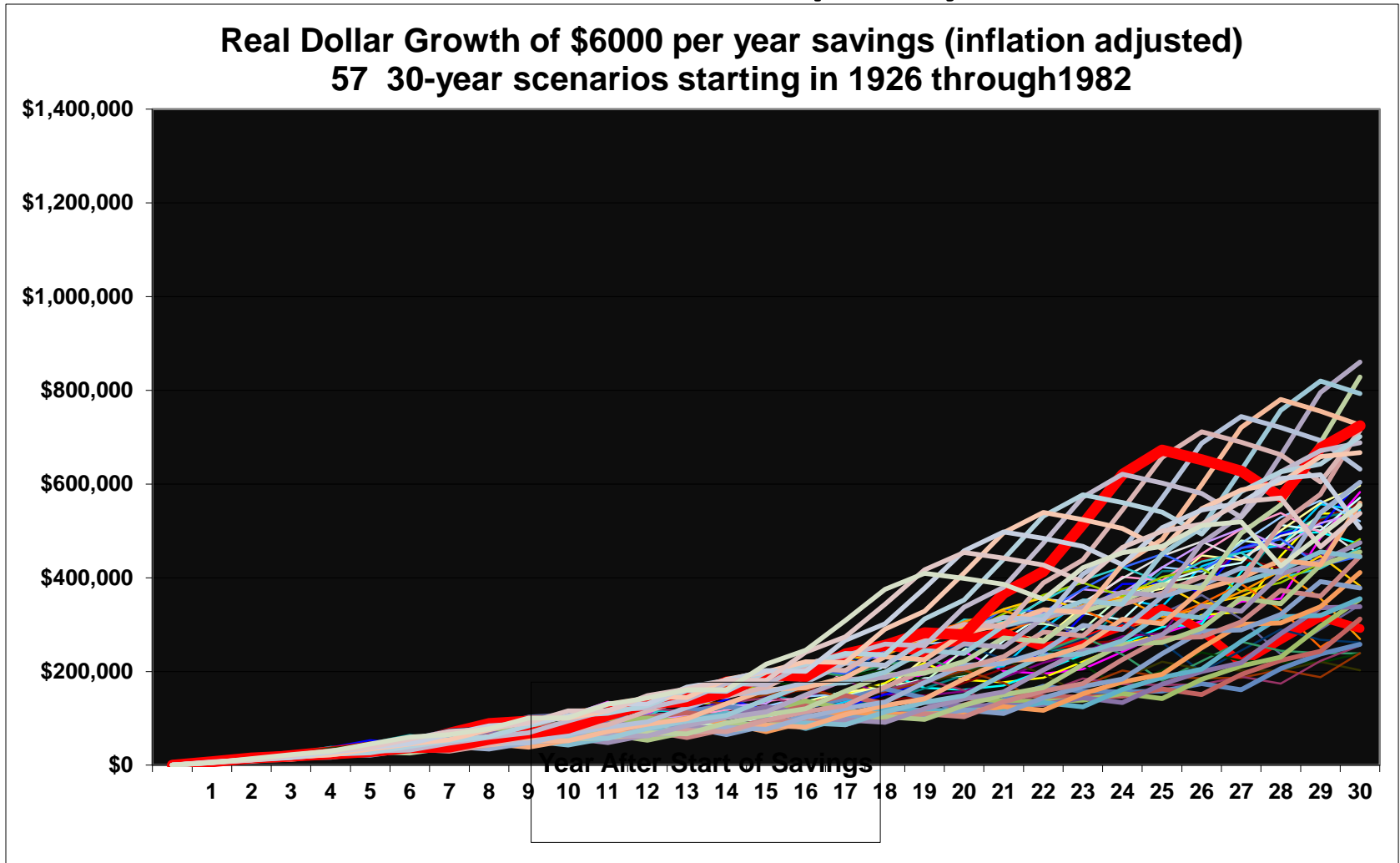
Stocks Returns Over 30 Years

- Real Returns, after 30 years, over and above inflation, were always over 4% and sometimes over 8%.
- At 4% real, purchasing power doubles every 18 years (quadruples in 36 years). At 8% it doubles every 9 years (16 times in 36 years).
- But what about volatility along the way?
- The returns were NOT steady year after year.

100% equities \$6000 per year invested

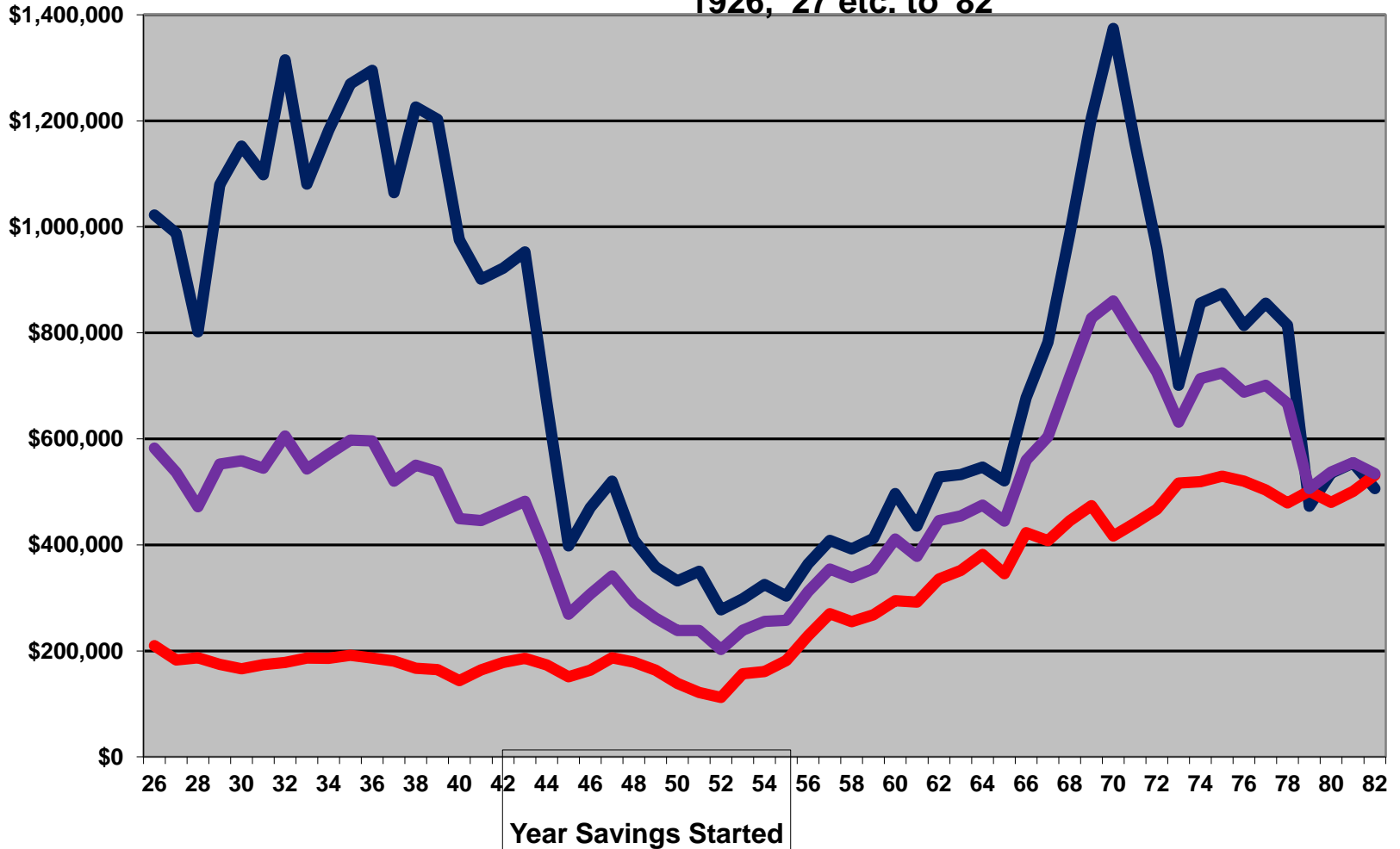


Balanced 60% equities, 35% Corporate Bonds, 5% Cash \$6000 per year invested



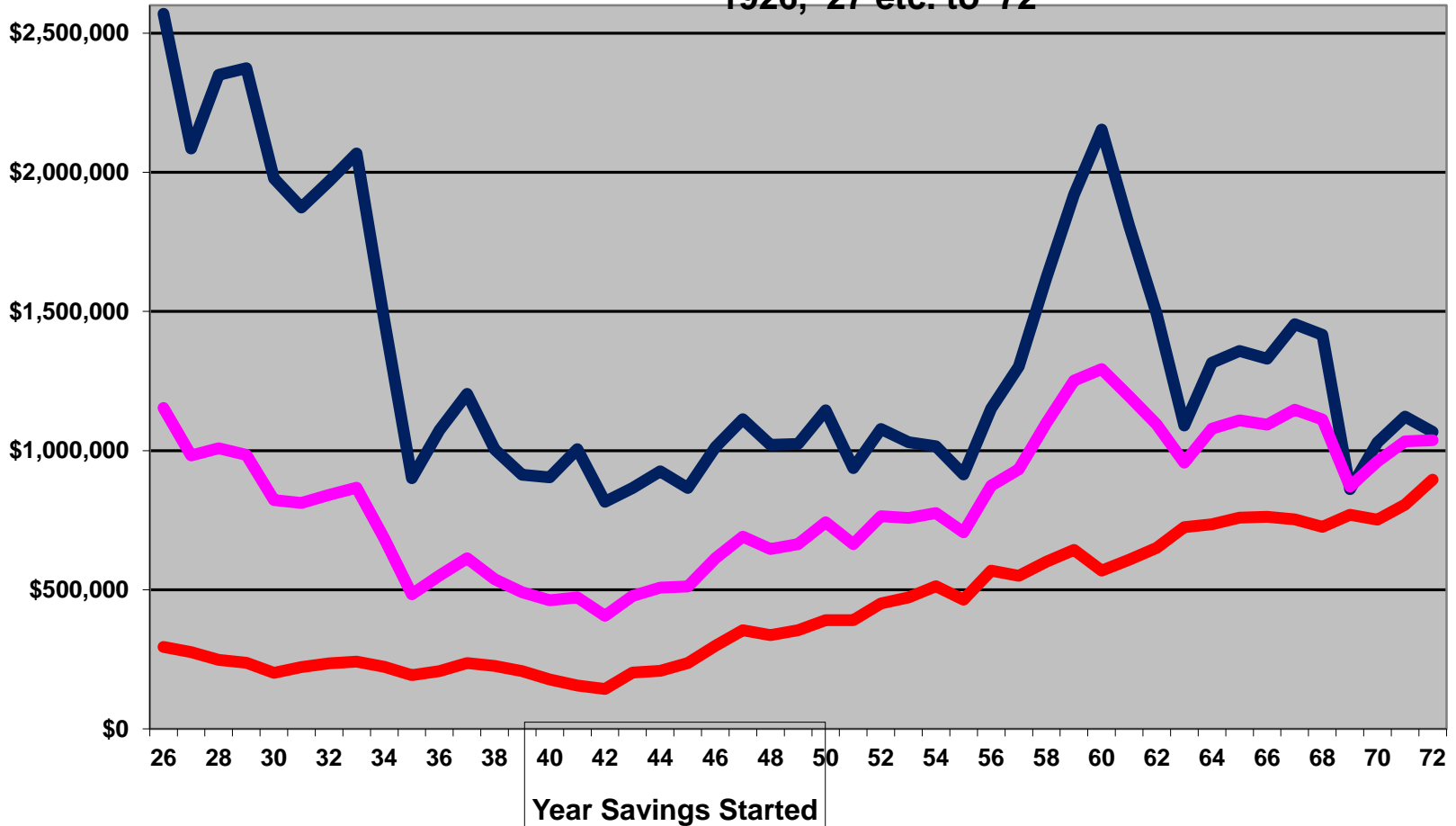
30 Year Ending Portfolio Values

Ending Portfolio Value for All 30-year savings scenarios beginning in 1926, '27 etc. to '82



40 Year Ending Portfolio Values

Ending Portfolio Value for All 40-year savings scenarios beginning in 1926, '27 etc. to '72

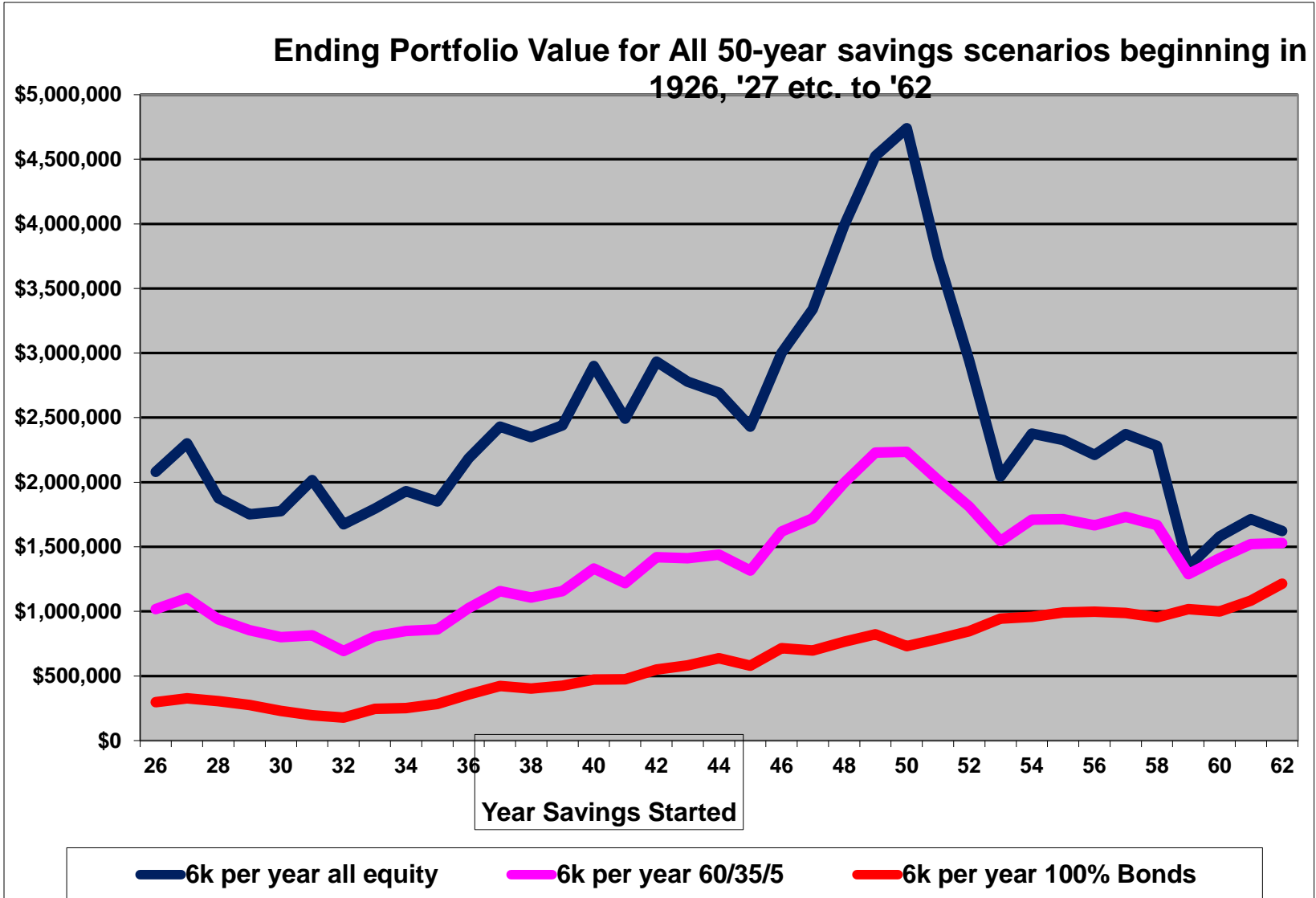


6k per year all equity

6k per year 60/35/5

6k per year 100% Bonds

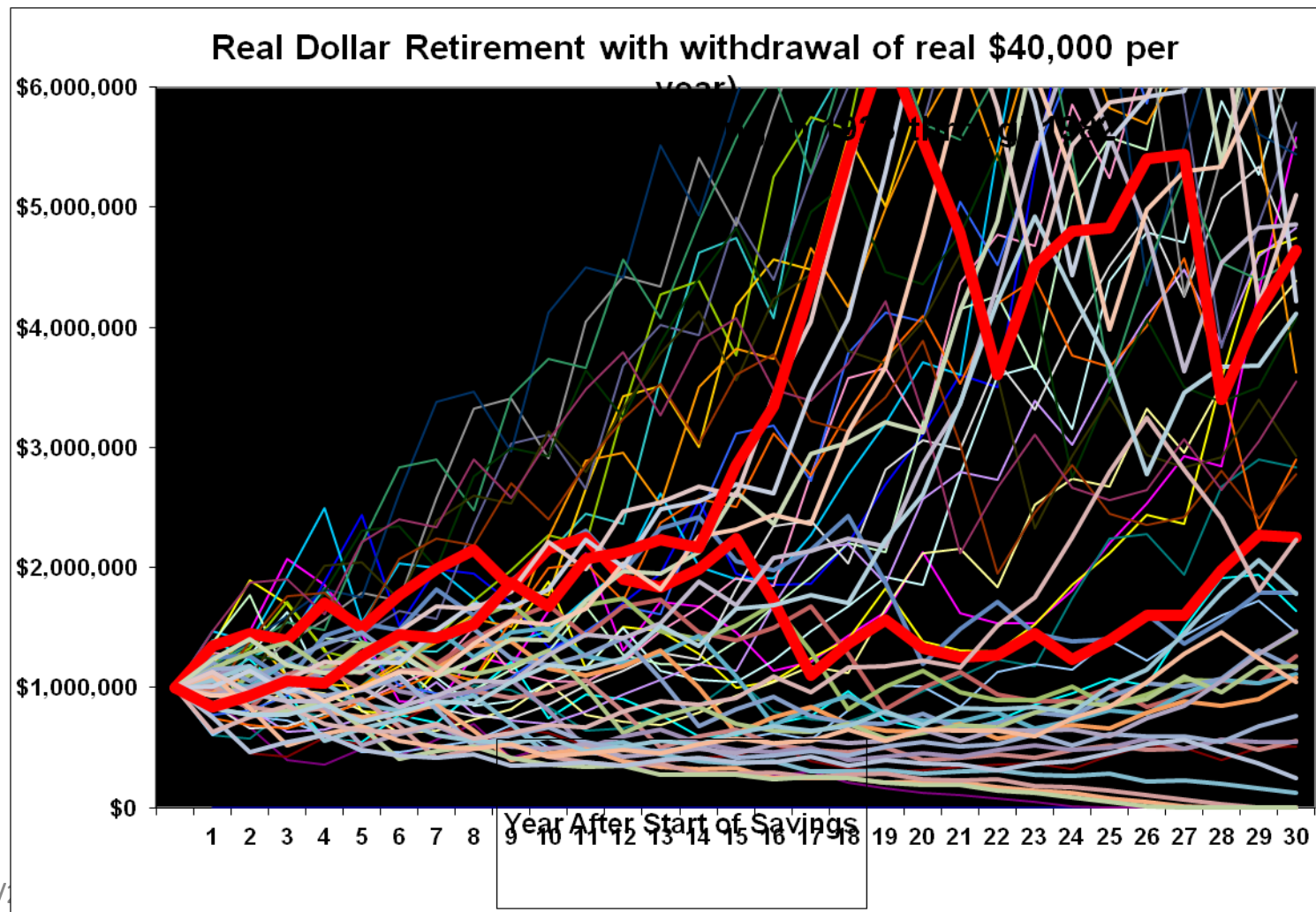
50 Year Ending Portfolio Values



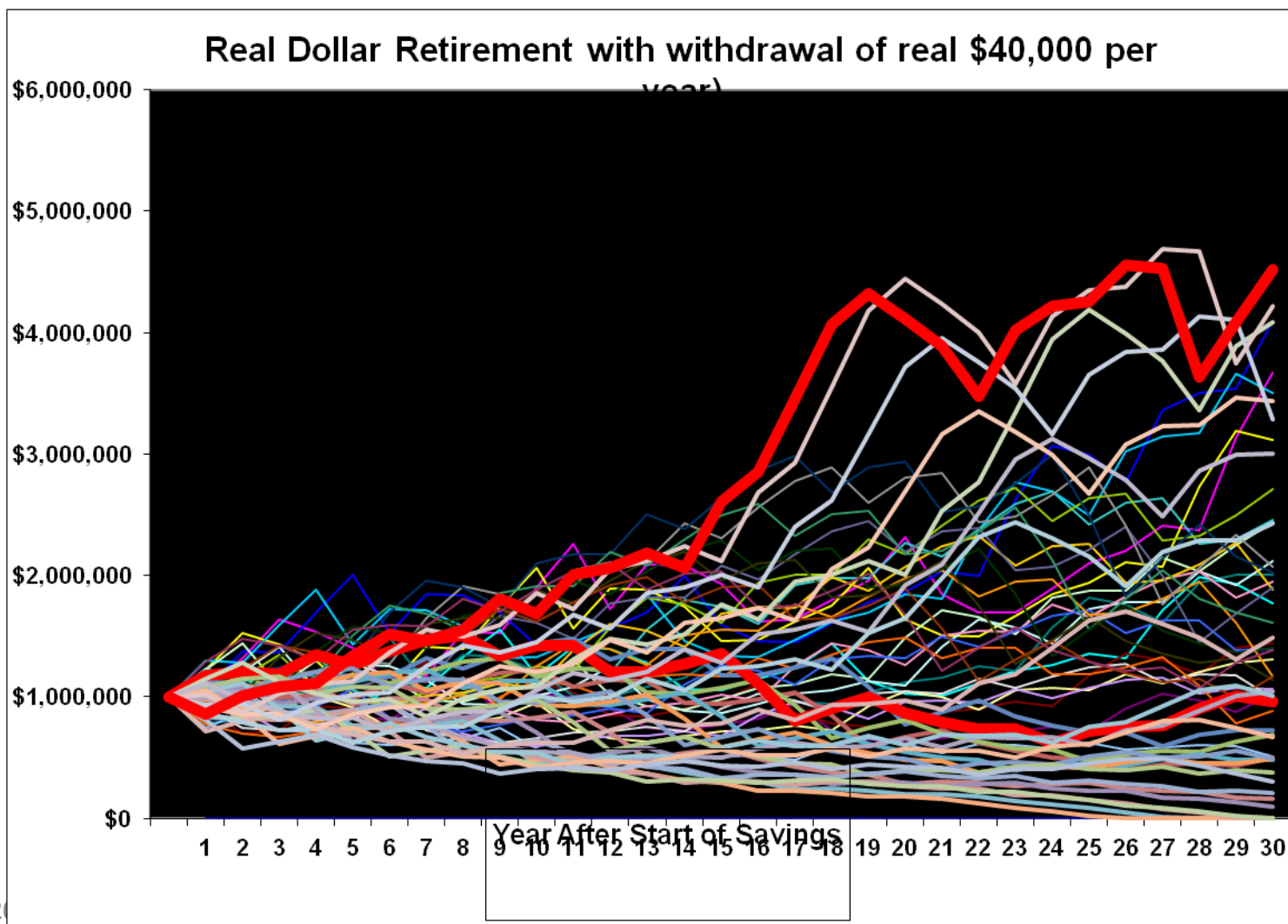
4% Withdrawal from \$1 million
portfolio over 30 years

The Safe Withdrawal Rate

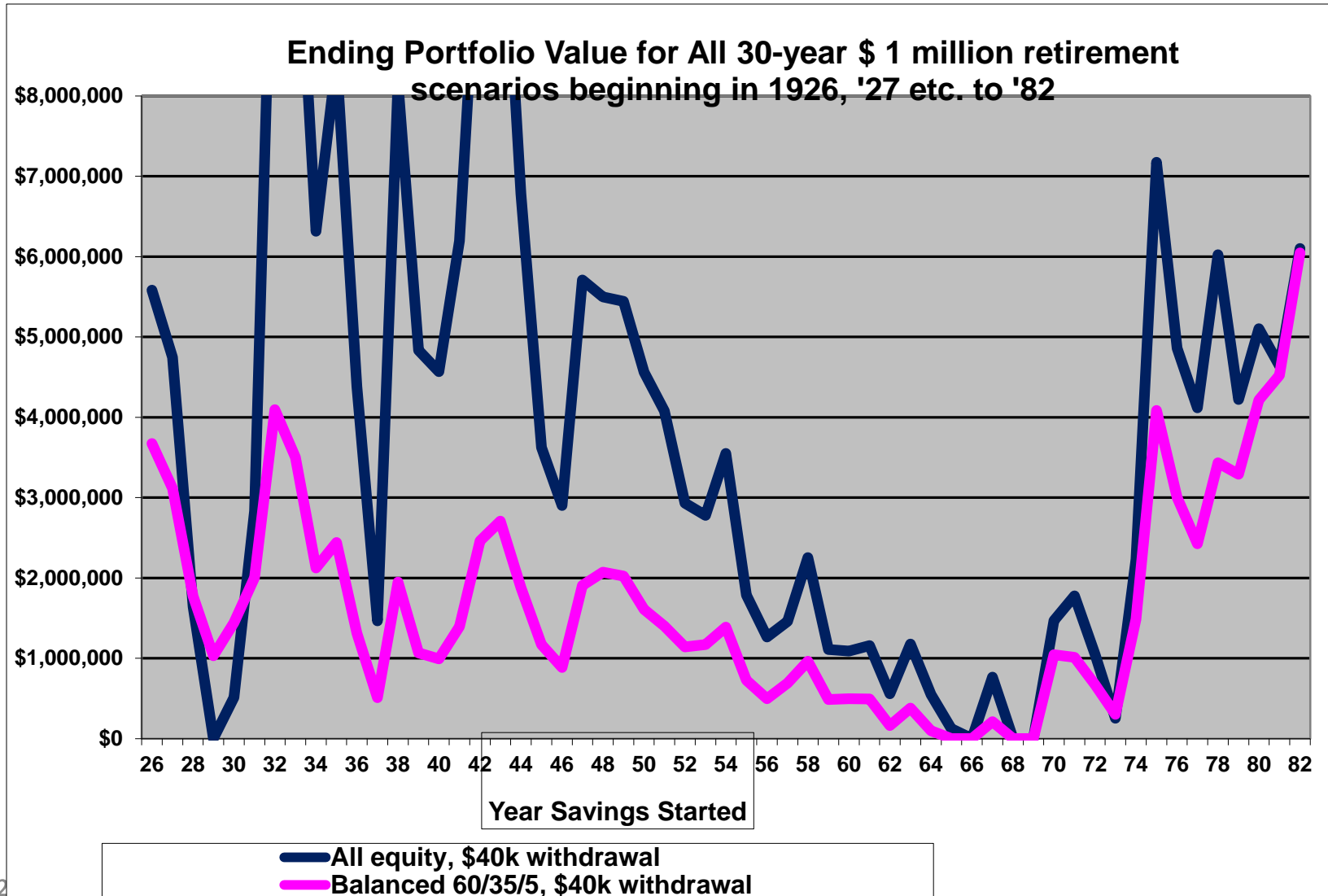
100% equities, \$40,000 per year withdrawn from \$1 million to start



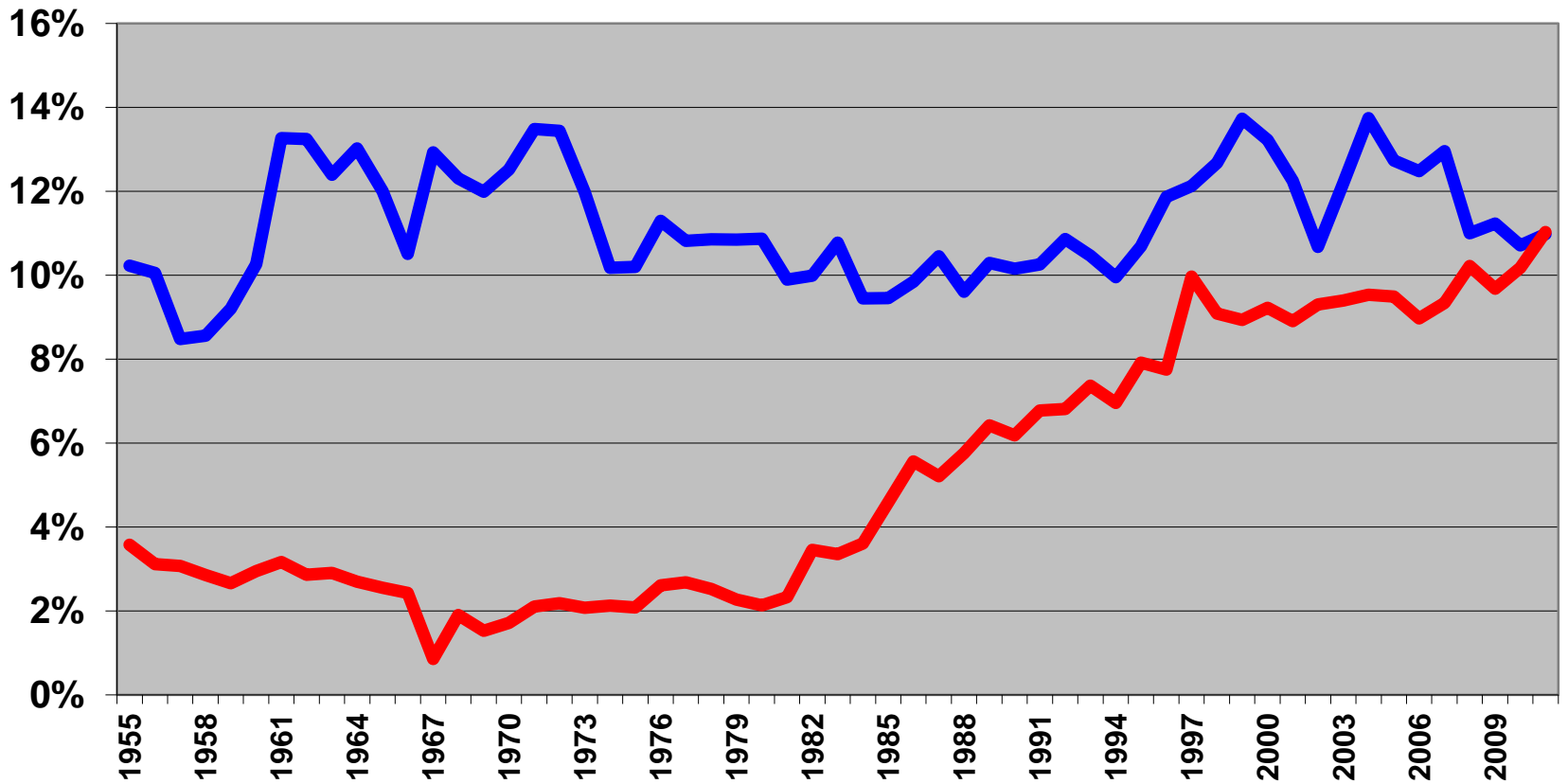
60% equities, 35% Corporate Bonds, 5% Cash \$40,000 per year withdrawn



Retirement Ending Portfolio Values

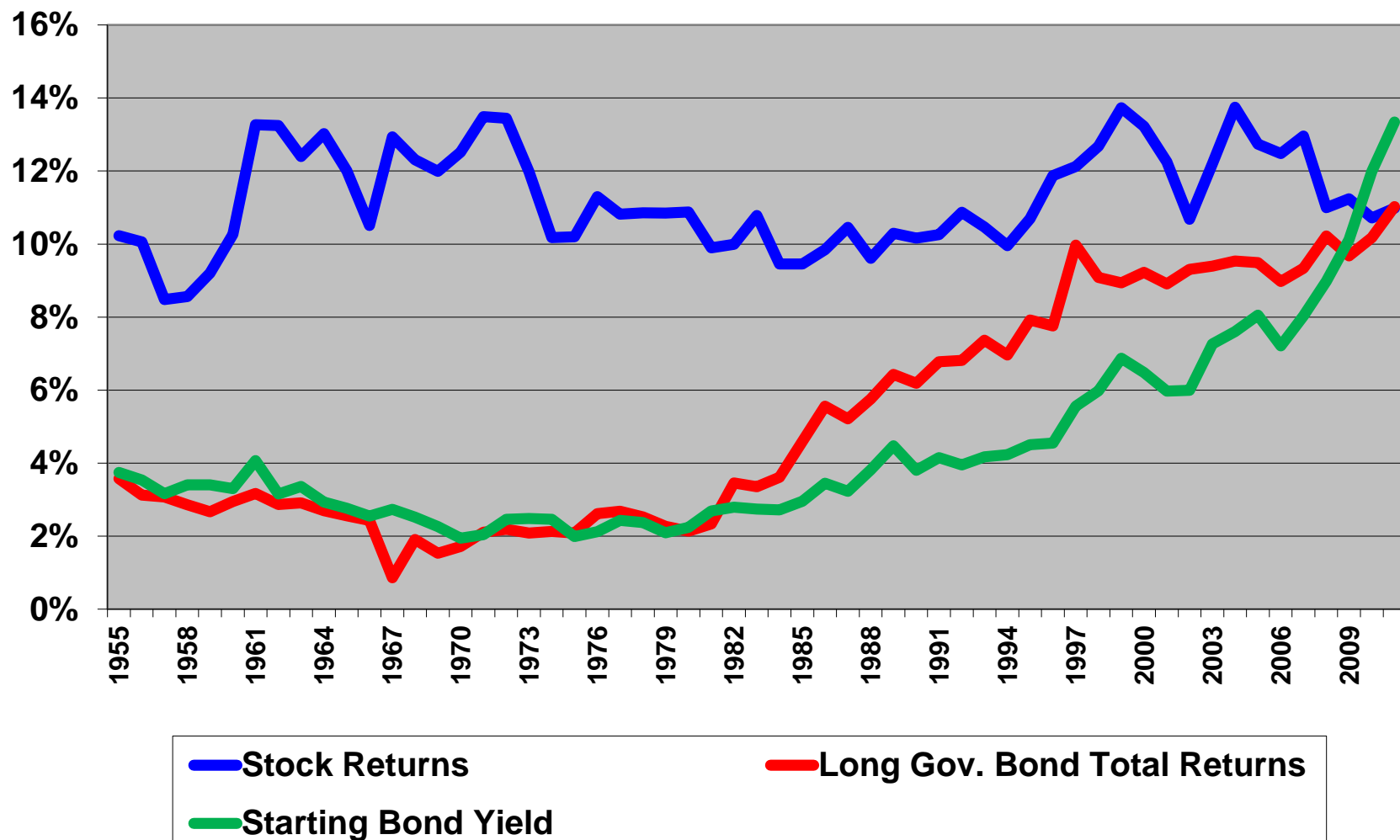


Rolling 30 Year Returns - Nominal - For 30 Year Periods Ending 1955 Through 2011

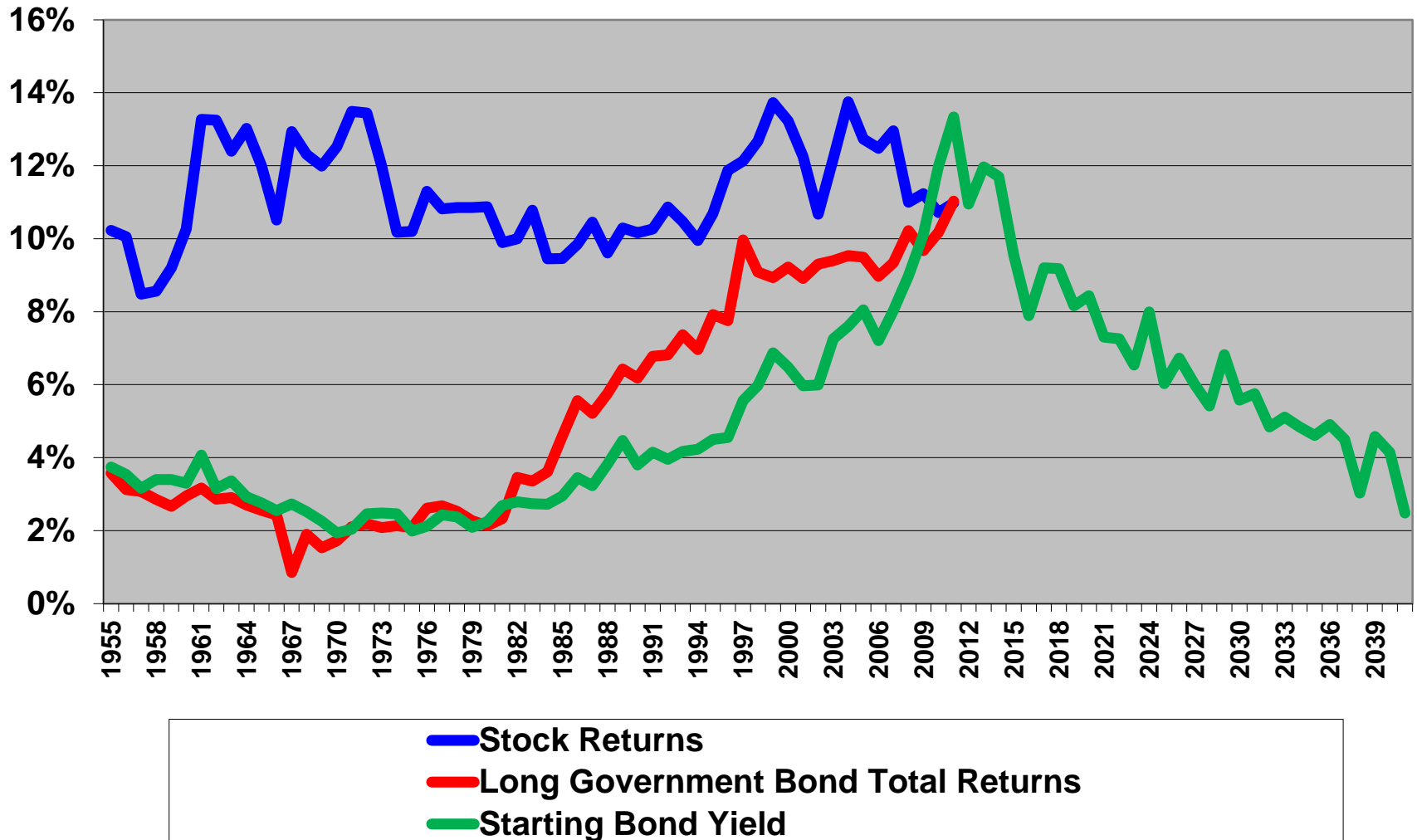


— Stock Returns — Long Government Bond Total Returns

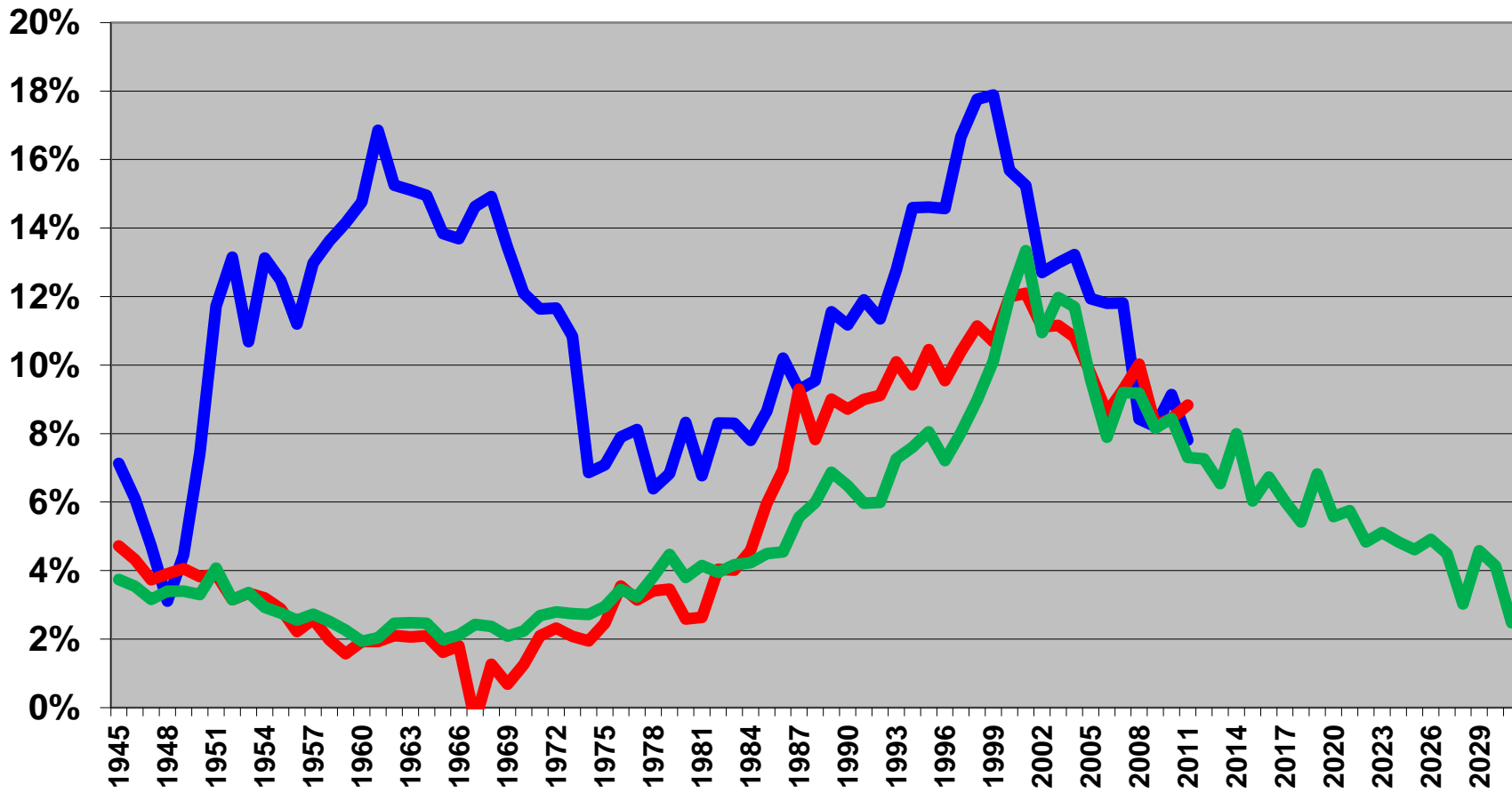
Rolling 30 Year Nominal Returns - For 30 Year Periods Ending 1955 Through 2011



Rolling 30 Year Nominal Returns - For 30 Year Periods Ending 1955 Through 2041



Rolling 20 Year Returns - For 20 Year Periods Ending 1945 Through 2031

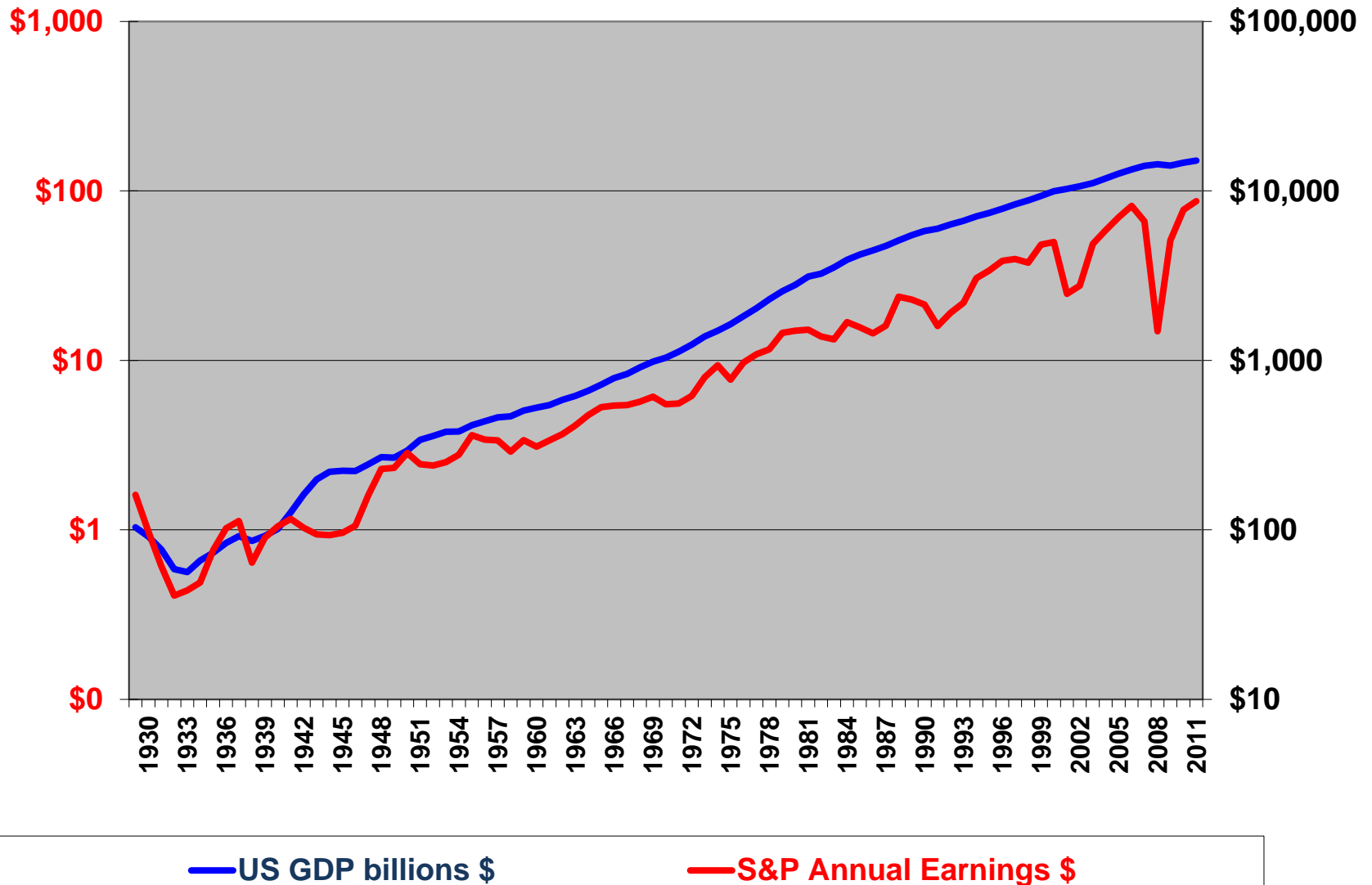


Stock Returns **Bond Total Returns** **Starting Bond Yield**

Estimating Long Term Stock and Bond Returns

- Long Term Stock Returns approximate:
 - Real GDP growth, plus inflation, plus Dividend yield
 - What is the current estimate of this?
- Long Term Long Bond Returns approximate:
 - The yield on long term bonds at the start of the period
 - What is the current estimate of this?

S&P Earnings \$ versus U.S. GDP billions 1929- 2011



Will The Stock Market Rise in 2013?

- I don't know...
- Neither does anyone else
- It's not a useful question
- Ask instead, is the stock market fairly valued at this time so that it can rationally be expected to be a good long-term investment?
- Ask instead also if you can find any individual stocks that seem likely to provide a good return

Will Stocks Beat bonds over the next 20 years?

- Almost certainly, yes
- A 20-year Canadian government bond purchased today will earn about 2.2%.
- A high grade corporate bond will earn an additional 1.4% or so, for a total 3.6%.
- This is before taxation and inflation
- Stock indexes will likely earn an amount equal to their dividend yield plus real GDP plus inflation. Reasonable estimates for this are in the 6 to 7% range as an average, but certainly not every year.

Yield	Adj. ROE	P/B	Adj. P/E	Company	\$ CAN Price at this update	Portfolio Percent
2.6%	12.7%	1.3	10.6	Wells Fargo	33.74	12.4%
1.7%	12.0%	1.3	11.2	Canadian Tire	71.79	12.3%
2.8%	8.7%	0.8	10.0	Melcor	15.65	12.1%
0.0%	7.1%	1.2	18.2	Berkshire Hathaway	86.56	8.8%
0.4%	4.3%	0.5	11.1	Bank of America	9.81	7.9%
2.2%	14.0%	1.9	13.8	Canadian Western Bank	29.36	5.0%
4.5%	22.4%	2.7	13.3	Shaw Communications	21.43	5.4%
1.6%	17.8%	2.6	15.1	Stantec	37.11	4.7%
0.0%	2.6%	2.0	79.0	Toll Brothers	32.06	3.4%
6.1%	10.5%	1.9	17.1	Boston Pizza Royalties	19.30	3.1%
3.4%	70.4%	9.6	17.5	Constellation Software	115.49	2.9%
2.7%	117%	18.4	8.6	Bombardier	3.70	0.9%
2.7%	41.7%	3.9	10.7	MicroSoft	29.37	1.7%
				Other Equities		1.2%
0.0%	0.0%	1.0	-	Cash	1.00	18.1%

Can You and Your Family Get Rich By Investing in Stocks?

Absolutely, yes, but it takes a long
time and it requires a reasonable
savings level

When Should You Start a Long-Term Savings Plan?

Best time, about 50 years ago...

Best available time... Right Now!