

# Does Buying and Holding the S&P 500 Make Cents?

The S&P 500 has been quite a work horse when it comes to delivering value to its investors. Since 1928 the blue chip index posted a 9.5% compounded annualized return. A \$1,000 investment in 1928 would be worth \$2,940,644 today. During this period stocks showed positive returns in 64 of 88 years. The batting average for the venerable S&P 500 is a whopping .730, making it an all-star in anyone's book. The average loss for the 24 years the S&P 500 was down for the year was 13.69%. According to the NBER, the economy has gone through 15 business cycles since 1927; the S&P experienced a total of 5 major year-over-year selloffs (approximately once every 17.6 years) ranging from -25.12% to -43.84%. If you had a stroke of bad luck and bought the index at the end of 1927, prior to the 1929 market crash, the loss seemed devastating. However, if you held pat over the next 10 years the dividends alone would have nearly made you whole. If one invested at the peak of 2007, prior to the great financial crisis and held until year end 2015, the total return would have equated to 56%. If the past is prologue, history shows that owning stocks over the long haul makes very good cents. Those decrying the merits of a buy-hold strategy may need to brush-up on their homework.

