

# Current bear market was the quickest ever fall from an all-time high

Magnitude and duration of major S&P 500 declines since 1950

Performance (Indexed to 100)

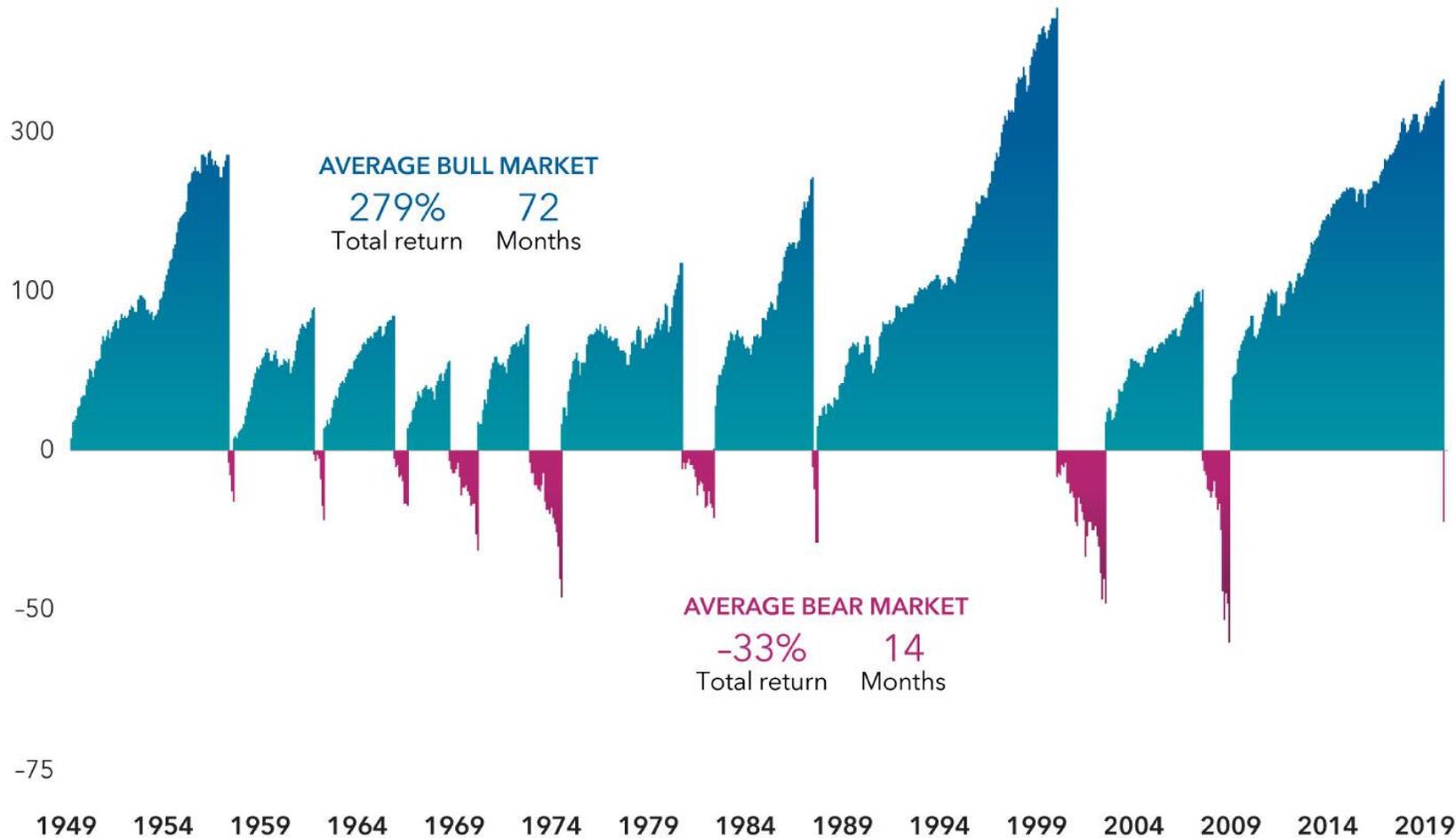


Source: Strategas. As of 3/23/20. Values are indexed to 100 on the date of the last market peak that preceded each bear market. Bear markets are peak-to-trough price declines of 20% or more.

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# Bear markets have been relatively short compared to bull markets

700 Cumulative price return for each bull and bear market (%)



Source: Capital Group, RIMES, Standard & Poor's. As of 3/12/20. Bear markets are peak-to-trough price declines of 20% or more in the S&P 500. Bull markets are all other periods. Returns shown on a logarithmic scale. Returns are in USD.

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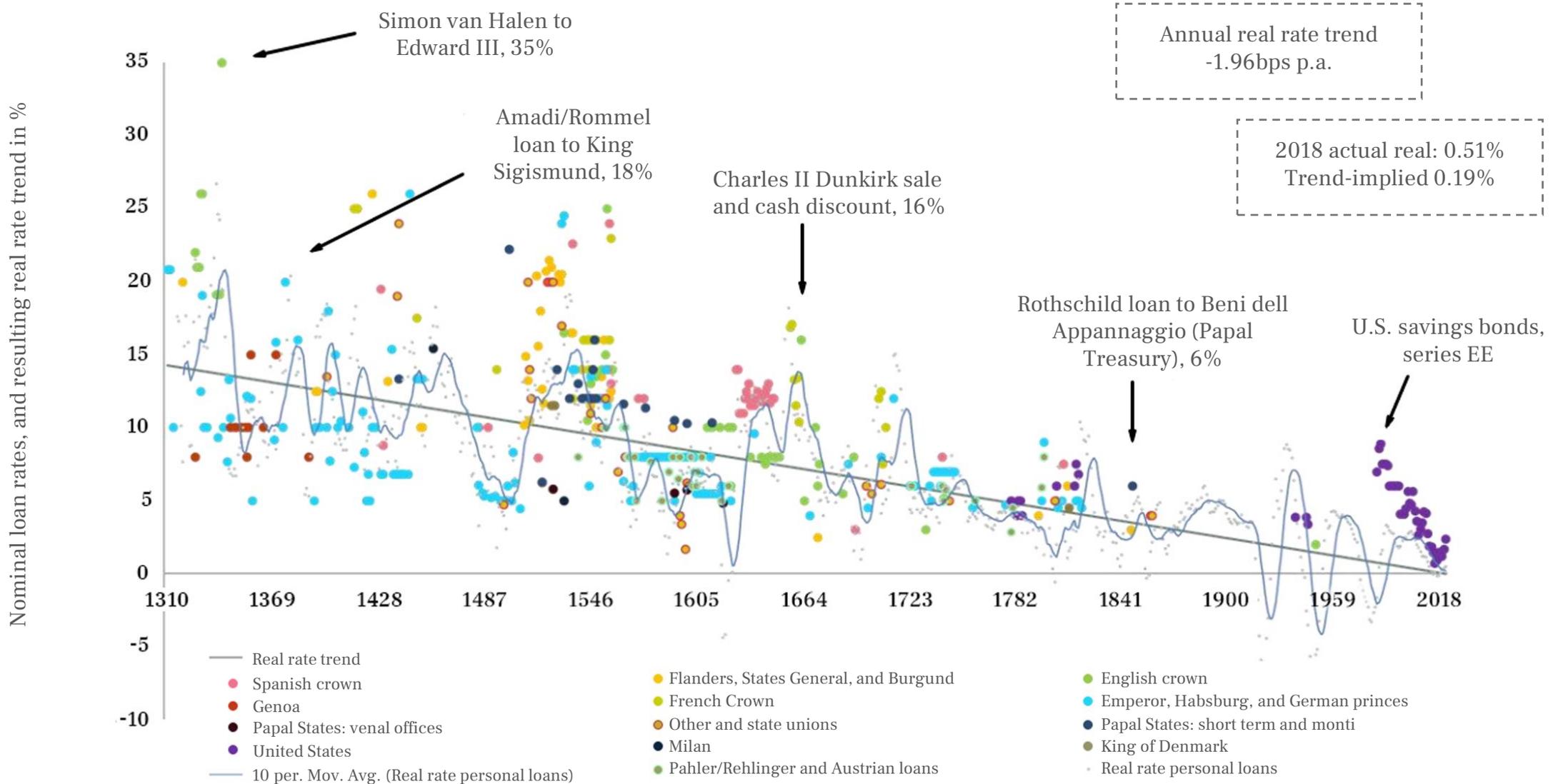
# Forward Returns Following History's Worst Bear Markets

## Total Returns for the S&P 500

Peak	Trough	Drawdown	1 Year	3 Years	5 Years
1929, SEP	1932, JUN	-86.2%	162.9%	170.5%	344.8%
1932, SEP	1933, FEB	-40.6%	98.7%	194.6%	154.6%
1933, JUL	1933, OCT	-29.8%	2.9%	120.1%	87.3%
1934, FEB	1935, MAR	-31.8%	83.8%	16.3%	84.9%
1937, MAR	1938, MAR	-54.5%	35.2%	38.2%	84.5%
1939, OCT	1940, JUN	-31.9%	8.0%	59.7%	118.8%
1940, NOV	1942, APR	-34.5%	61.2%	128.6%	144.9%
1968, NOV	1970, MAY	-36.1%	34.8%	50.6%	42.2%
1973, JAN	1974, OCT	-48.2%	38.1%	72.7%	117.5%
1987, AUG	1987, DEC	-33.5%	23.2%	55.5%	121.7%
2000, MAR	2002, OCT	-49.1%	24.4%	59.0%	105.1%
2007, OCT	2009, MAR	-56.8%	53.6%	98.0%	181.6%

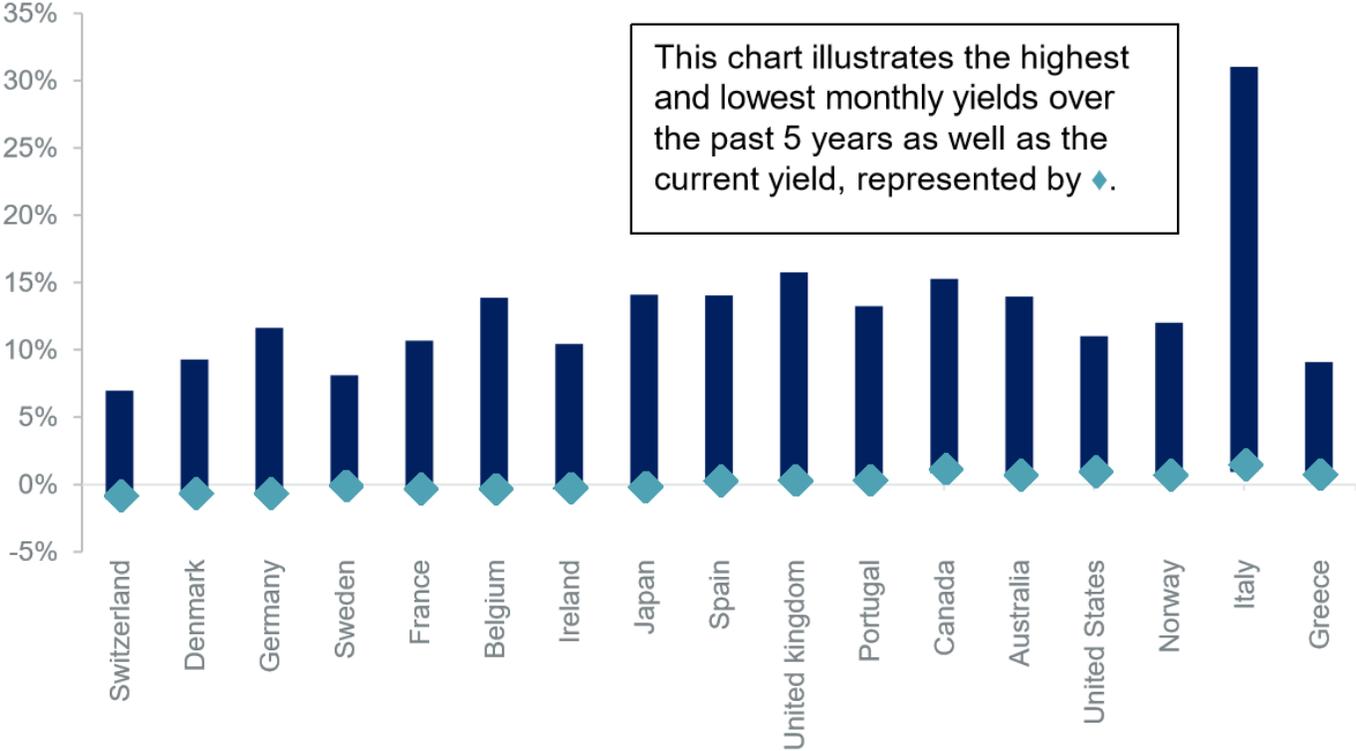
Table: Ben Carlson • Source: DFA/Bloomberg **FORTUNE**

# 700 Year Fall of Interest Rates - Visual Capitalist



# Sovereign Bond Yields in Almost All Major Countries Are Near Their Historical Low

Depressed Global Yields Around the Globe



Source: Raymond James Market Volatility Update, March 9<sup>th</sup>, 2020.

# Annual income being paid out on 10-year Treasuries

Bear Market Begins	10 Year Yield	Income on \$100k
1968	5.7%	\$5,700
1973	6.5%	\$6,460
1980	12.7%	\$12,680
1987	8.8%	\$8,760
1990	8.5%	\$8,470
2000	6.3%	\$6,260
2007	4.5%	\$4,530
2020	1.6%	\$1,560

Source: Shiller

Income From 10 Year Treasuries	
Starting Point	Annual Income on \$1 Million
1960	\$47,200
1970	\$77,900
1980	\$108,000
1990	\$82,100
2000	\$66,600
2010	\$37,300
2020	\$17,600
Currently	\$6,500

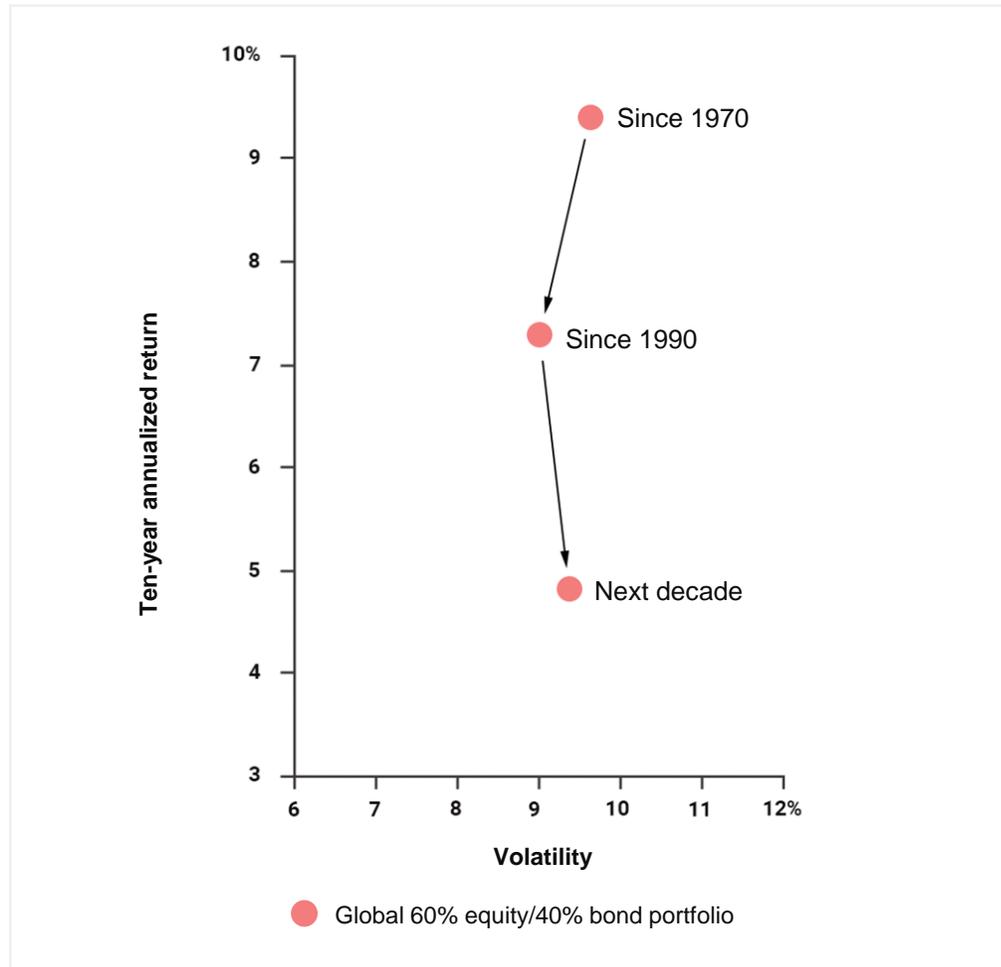
Source: Shiller

Current Rates as of 4/28/20

Source: A Wealth of Common Sense: <https://awealthofcommonsense.com/2020/04/occams-razor-on-interest-rates-and-the-stock-market/>

# Asset allocation for a challenging decade

a. A lower return orbit...

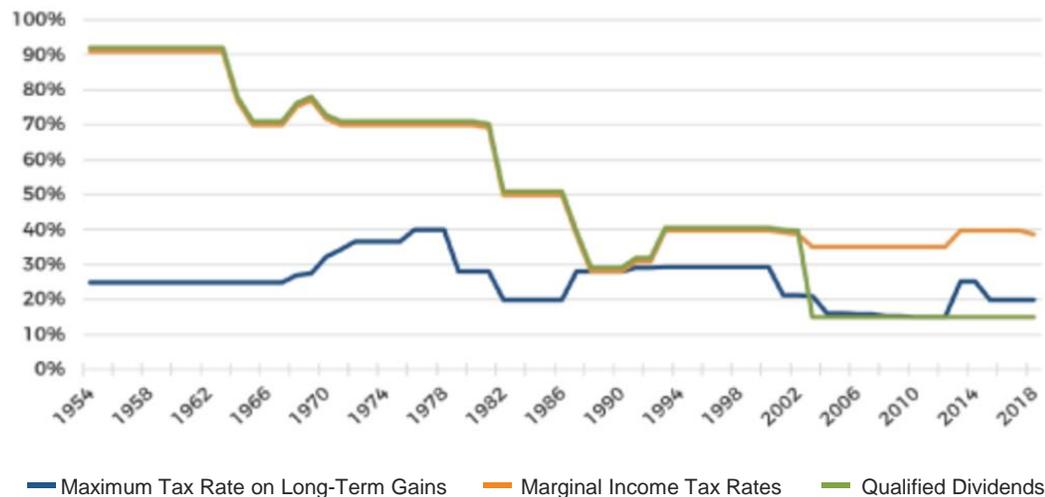


- Low interest rates coupled with elevated equity valuations equate to a lower return, yet more volatile world for the balanced and prudent investor.
- The unbalanced investor risks permanent impairment of capital and/or an irresponsible amount of volatility that's likely disproportionate with their plan and emotional tolerance.
- Relatively attractive asset classes based on valuations (i.e. emerging markets, foreign small/mid-caps) are also some of the most volatile asset classes in the world.
- There is no denying the unfortunate timing of this dilemma as a generation embarks on retirement and underfunded benefits are put to the test (Pensions, Public Pensions, Medicare, and Social Security).
- The ripple effect of lower returns on pensions and insurance companies cannot be ignored and has the potential to increase taxes and various premium payments.
- With interest rates already so low, central banks have limited firepower to help combat the next recession and are apt to resort to unconventional strategies.

*Vanguard economic and market outlook for 2020*

c. Projected ten-year annualized nominal returns

# Historical top marginal tax rates for ordinary income, capital gains, & qualified dividends



## THINK TAX EFFICIENCY - A RATE OF RETURN IS ONLY AS GOOD AS ITS NET RETURN AFTER PAYING TAXES

- In preparing for the future we must part with conventional thinking predicated on our own personal concept of what's 'normal' or 'fair' and accept that risks and opportunities are ever changing.
- If market returns moderate (something out of our control), the importance of improving net returns via tax efficiency becomes an increasingly important component of the planning and investment process (in our control).

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Source: Tax Policy Center. Dividend.com

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*The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. Raymond James does not provide tax or legal services. Please discuss these matters with the appropriate professional.*