SOLID ROCK
WEALTH MANAGEMENT
WealthGuide

Real Returns of Certificates of Deposit versus Stocks

An Educational Resource From
Solid Rock Wealth Management Inc.

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CD RATES COMPARED WITH STOCK MARKET RETURNS (1985–2014)

Year	CD rate	S&P 500	Inflation	Real return of CDs	Real return of S&P 500
1985	8.54	31.73	3.79	4.58	26.92
1986	6.70	18.67	1.19	5.45	17.27
1987	7.21	5.25	4.33	2.76	0.88
1988	8.18	16.61	4.41	3.61	11.68
1989	9.46	31.69	4.64	4.61	25.85
1990	8.49	-3.10	6.25	2.11	-8.80
1991	6.06	30.47	2.98	2.99	26.69
1992	3.82	7.62	2.97	0.83	4.52
1993	3.34	10.08	2.81	0.52	7.07
1994	5.05	1.32	2.60	2.39	-1.25
1995	6.16	37.58	2.53	3.54	34.19
1996	5.61	22.96	3.38	2.16	18.94
1997	5.87	33.36	1.70	4.10	31.13
1998	5.58	28.58	1.61	3.91	26.54
1999	5.59	21.04	2.68	2.83	17.88
2000	6.79	-9.10	3.44	3.24	-12.12
2001	3.69	-11.89	1.60	2.06	-13.28
2002	1.81	-22.10	2.48	-0.65	-23.99
2003	1.23	28.68	2.04	-0.79	26.11
2004	1.75	10.88	3.34	-1.54	7.30
2005	3.79	4.91	3.34	0.44	1.52
2006	5.33	15.79	2.52	2.74	12.94
2007	5.35	5.49	4.11	1.19	1.33
2008	3.18	-37.00	-0.02	3.20	-36.99
2009	0.88	26.46	2.81	-1.88	23.00
2010	0.44	15.06	1.42	-0.97	13.45
2011	0.42	2.11	3.02	-2.52	-0.88
2012	0.44	16.00	1.76	-1.30	13.99
2013	0.27	32.39	1.51	-1.22	30.42
2014	0.43	13.69	0.66	-0.23	12.94
Average as of 12/31/14	**4.35%**	**11.34%**	**2.72%**	**1.58%**	**8.39%**

"Real return" is the gross return of CDs or the S&P 500 adjusted for inflation. While stocks incur more risk, certificates of deposit (CDs) offer a fixed rate of return, and the interest and principal on CDs will generally be insured by the FDIC up to $250,000.

Source: CD performance is based on average historical interest rates from Bloomberg. Data prior to 2013 is from Lipper. The Consumer Price Index (CPI) measures inflation. The S&P 500 Index is unmanaged and a common measurement of market performance. It is not possible to invest directly in an index. Past performance is not a guarantee of future results. Investments in mutual funds will fluctuate with market conditions, and you may have more or less than the original amount invested when you sell your shares. Investors should carefully consider the investment objectives, risks, charges, and expenses of a fund before investing.

Creating an effectively diversified investment portfolio

From 1985 through 2014, the S&P 500 provided an average real return that exceeded the real return of CDs by 6.81% per year. This presents a strong case for investing in the stock market. However, if you are going to invest in the stock market, it is wise to include other asset classes in your portfolio.

The S&P 500 index is comprised of 500 large U.S. company stocks. An effective way to reduce portfolio volatility is to combine other asset classes such as international stocks, small stocks, real estate and bonds. Because all asset classes move up and down at random intervals, diversifying among multiple asset classes is an effective way to minimize your exposure to investments that are temporarily experiencing low or negative returns.

Diversification is an effective way to reduce risk but it does not guarantee a profit or ensure against loss. Long-term investment success requires planning, discipline and patience. Therefore, it is important to seek the advice of an independent, fee-only registered investment advisor who can evaluate your goals and help you build an investment strategy that is right for you.

Chris Nolt is the owner of Solid Rock Wealth Management, Inc., an independent, fee-only registered investment adviser offering globally diversified portfolios of no-load, low-cost, asset class mutual funds. Portfolios are diversified among 15 asset classes and market sectors and are comprised of holdings in roughly 12,000 companies in 44 countries. Their model portfolios range from conservative (100% fixed income) to aggressive (100% equities) and are designed to achieve optimal returns for your level of risk tolerance.

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