infocus

Aviva's Business Development Program

How often in the last decade did the S&P increase in value?

60% →

Year	S&P Total Return including dividends
2000	-9.11%
2001	-11.89%
2002	-22.10%
2003	28.68%
2004	10.88%
2005	4.91%
2006	15.79%
2007	5.49%
2008	-37.00%
2009	26.46%

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Investing	Indexing	Credited Return
$1,000,000	$1,000,000	
$910,000	$1,000,000	0%
$800,000	$1,000,000	0%
$620,000	$1,000,000	0%
$800,000	$1,120,000	12%
$890,000	$1,241,856	10.88%
$930,000	$1,302,831	4.91%
$1,080,000	$1,459,171	12%
$1,140,000	$1,539,279	5.49%
$720,000	$1,539,279	0%
$910,000	$1,723,993	12%
(9%) Total Return	72.4% Total Return	

The S&P posted annual gains, some substantial, 6 out of 10 years during the last decade. Unfortunately those gains were not sufficient to overcome the losses incurred during the same period. $1,000,000 invested on 12/31/99 was worth $910,000 at the close of 2009, not including income taxes, sales charges, and management fees.

The result would be substantially different if one could enjoy all or most of the increase years without having to participate in the negative years. Unfortunately timing has not proved reliable for the majority of equity investors.

By comparison if the $1,000,000 was indexed with a 1 year point to point strategy with 12% annual caps**, a 0% floor, and a 100% participation rate over the same period of time, the $1,000,000 would be worth $1,723,993, a difference of $813,993.

** caps rates would have most undoubtedly been higher than 12% as the interest rate environment over the decade was higher than what we have experienced since Dec 2008 when caps steadily decreased to their current levels of 11.5%-12.0% for most strategies.