# Covenant Trust


The year 2023 saw Covenant Trust exhibit strength in our mission to help our clients achieve their financial and charitable purposes. Our investment performance was excellent, and our financial performance was solid. **We facilitated $7.24 million in giving to Covenant causes through current and legacy gifts.**

The year also affirmed the Wall Street adage that the stock market "climbs a wall of worry." US stocks returned better than 25% despite a continuous onslaught of negative headlines. The reality is that successful investing rarely feels "good" on a day-to-day basis. **The only thing we can say for certain about the future is that it is uncertain.**

Fortunately, effective financial planning doesn't require clairvoyance. It does involve navigating uncertainty via the important certainties available to us.

Some of those certainties are:

1. **A dedicated savings plan is the bedrock of all financial planning.** Hope is not a savings strategy. We cannot simply hope that savings will "fall out" after we pay for everything else. We must commit a portion of our budget to savings. In our experience, this is where most financial plans go astray.

2. **We grow and protect our savings by putting it at risk.** Over time, inflation erodes our purchasing power. For example, a 4% inflation rate makes $1 today worth $0.66 in ten years. "Safe" investments, such as money market funds, do not provide a rate of return in excess of inflation (and they are inherently exposed to reinvestment risk). To grow and protect our savings, we must put it at greater risk. Over longer time periods, the higher the expected risk of an investment, the higher the expected return. Since 1928, the return of the US stock market has been three times the return of cash-equivalents and two times that of bonds.

3. **The risk inherent in a well-diversified stock portfolio declines the longer it is held.** It is a truism that the stock market is volatile. Although the long-term return of US stocks is multiples of what

cash equivalents and bonds have returned, that includes many periods when the market declined more than 40%! But volatility diminishes over longer measurement periods. In the past 98 years, the US stock market's performance has been positive over 87% of five-year measurement periods and 100% of 15-year measurement periods.

4. **Minimizing taxes and fees is crucial.** The late John C. Bogle, founder of the Vanguard Group, said, "You get what you don't pay for." Taxes and fees, if not efficiently managed, will significantly degrade investment returns. Covenant Trust is an enthusiastic fan of index funds due to their low fees and low turnover—and they outperform most active investment managers over time. Moreover, we assist our clients with tax strategies and tax planning, and we encourage all investors to take full advantage of any tax-deferred savings available to them.

Ultimately, your personal spending plan, investment plan, retirement plan, and giving plan must reflect your unique financial goals and charitable purposes. At Covenant Trust, we help our clients to develop a plan aimed at achieving their financial and charitable calling. We work to ensure that their financial strategies reflect and protect those things most dear to them.