The Pervasiveness of Growth

By: Alex Lippert, CFA

Growth is a remarkable concept. Ponder for a moment how many parts of our lives are influenced by growth and its constant march forwards. What we eat, how we generationally grow as families, how we develop as individuals, our economic resources and financial planning... By studying growth, we can quickly grasp that our reality is based on the underlying assumption and necessity for growth. For example, very few long-term financial plans are successful if you assume a 0% growth rate on investments, and any long-term projection of expenses would be completely inaccurate if inflation wasn't considered.

Growth, by definition, is constantly forging ahead into an unknown space. A bird outgrows the nest and takes its leap of faith into the abyss - but finds a blissful sky. A small oak sprout stretches against gravity's tremendous pull so it can reach the light. A company innovates to serve a need, in an endless grind towards impacting more consumers, employing more people, and competing amid a constantly changing economic landscape.

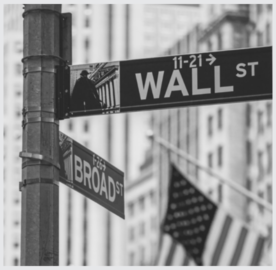
Year-in and year-out, growth compounds on itself, pushing all of us into new territory.

Here are some intriguing growth stories:

The oak, our national tree and an American symbol of strength*, can live for over 1,000 years. Some ancient oaks have a canopy that spreads 150 feet, covering nearly half of a football field. The transformation from a tiny ½ inch acorn into a mature oak tree is staggering. Despite hundreds of years of uncertainties ahead of it: raging weather, drought, wildfires, disease, and many a burly lumberjack's discerning gazes, these trees flourish. And because of that persistent growth and resilience, we all can enjoy their magnificence.

**Oak wood is extremely dense and heavy. During the War of 1812, the American warship U.S.S. Constitution was nicknamed "Old Ironsides" due to its thick oak hull being impenetrable to British cannon balls. The ship assisted our young country in its fight to repel the attempt by Britain to retake America as a colony.*

Andrew Carnegie's U.S. Steel, the largest company in America a little over a century ago (and the first billion-dollar company in the nation's history), had annual revenue in 1917 of $1.28 billion[2]. At the time, America was the leading producer of steel in the world. Unprecedented demand from booming automobile production, rapidly expanding urban infrastructure, and the necessary manufacturing support for war efforts during World War One created one of the most powerful companies on earth. U.S. Steel was massive by the standards of the time - three times larger than the country's second-largest company. In comparison, the largest company today at the time of this writing, has annual revenues of around $400 billion with a total current market value approaching $3 trillion.[3] What might another 100 years bring?



Charles Dow and Edward Jones, financial reporters in New York, established the first stock indices (and as a fun aside, their dependable financial newsletter eventually became the Wall Street Journal). Originally, the pair created the Dow Jones Railroad Average in 1884, which led to the creation of the index we all are familiar with: the Dow Jones Industrial Average. It was first published in 1896 and followed the largest companies in each sector of the U.S. stock market (beginning with 12 companies in total). Taking the average market price of these companies at that time resulted in a starting published value for the index of 40.94[4]. The increase of the index since its inception at 40.94 points, to its present level of about 33,400[5] points equates to a mind-numbing increase.

Knowing these and many other growth stories saturating our existence, it's paradoxical that our gut-reaction to growth in the investment markets is almost always marred by skepticism. We argue that the growth we see is counterfeit, unsustainable, and will most certainly crumble because it just can't be legitimate.

Generally, any given economic market is usually at an "all-time high" unless it is experiencing some acute crisis or recession. For instance, the growth realized by the U.S. economy this year is new growth that is being stacked upon all other growth throughout our nation's history. Growth persists through good times and bad – and new highs are reached.

Similarly, in the oak tree's growth story, storms and droughts serve as short-lived challenges, and many of these are quite terrifying in scope and severity. Yet, the persistence of growth through these troublesome periods continues. However, it is hard to see the growth during such seasons because it's not plainly visible. The same can be said for investors - growth in times of economic expansion is easily noticeable (account balances rise), but during challenging times we are growing too - our actions, or sometimes decisive inaction, are setting the table for coming growth. Only down the road can you look back and see those distinguishable critical moments in your life that signify the challenging crossroads that you [hopefully] navigated successfully.

> When we long for life without difficulties, remind us that oaks grow strong in contrary winds...
> -Peter Marshall

There is always uncertainty when looking into the future. Embrace the remarkable nature of growth and realize that it's happening throughout every season of our lives – whether its noticeable or not. Perhaps, throughout the assuredly bumpy but meaningful investment journey ahead, you can sow more acorns than you can possibly reap yourself.

Sources:

1) https://www.fs.fed.us/psw/publications/documents/psw_rp028/psw_rp028.pdf
2) https://americanbusinesshistory.org/largest-companies-1917-and-1929/
3) Zacks Advisor Tools, Apple stock data as of 4-5-23.
4) https://guides.loc.gov/this-month-in-business-history/may/djia-first-published
5) As of 4-5-23: https://www.google.com/finance/

Image Sourcing:
Lunch atop a Skyscraper, published in the New York Herald-Tribune, Oct. 2, 1932, Charles Clyde Ebbets, Tom Kelley, or William Leftwich

The DJIA is a widely followed measurement of the stock market. The average is comprised of 30 stocks that represent leading companies in major industries. These stocks, widely held by both individual and institutional investors, are considered to be all blue-chip companies. Please note an investor cannot directly invest in an index.

Alex is a Registered Representative and Investment Advisor Representative of Securian Financial Services Inc. Securities and Investment Advisory services offered through Securian Financial Services Inc. member FINRA/SIPC. EverOak Wealth Co., is independently owned and operated. 7222 Commerce Center Drive, Colorado Springs, CO 80919.

5616375 DOFU 4/2023