

# Real Returns Favor Holding Stocks



Charles Rotblut (CR): You have a reputation for being bullish on the stock market, but from reading “Stocks for the Long Run,” it sounds like you’re more focused on the ability of stocks to prevent the loss of purchasing power than making a call on the direction of the market. Is that correct?

Jeremy Siegel (JS): My book emphasizes that the long-run return on stocks is between 6.5% and 7% per year after inflation (Figure 1). This return has been very stable in the long run. Over time stocks are good hedges against inflation, so they keep up with inflation and purchasing power, but even aside from that their returns are excellent compared to fixed-income assets. They dominate fixed-income assets, and particularly in today’s low interest rate environment I think the margin by which stocks will outperform bonds is even greater than it historically has been.

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**Figure 1. Total Returns on U.S. Stocks, Bonds, Bills, Gold and the Dollar, 1802-2013**