Don’t Be Shaken Out of the Market on Bad News

There are many investment maxims worth repeating, but one especially important today is *don’t be shaken out of the market on bad news*. Those are the ten words of advice I gave to investors back in June of 1991 in the midst of a recession, and I haven’t found a reason yet to doubt their value.

I told readers then:

> *The best time to make money in the business cycle is when recession is in place. Interest rates always decline during a recession, just as they have in the present one. And the stock market always explodes with its biggest cyclical gains during the heart of recession.*
>
> *When was the low for the Dow in the current business cycle? It was last October with the Dow reading below 2400. Many investors busily sold common stocks last August as military hostilities broke out in the Middle East. That, of course, is the kind of move that kills nervous investors in every cycle. You don’t want to be a seller on bad news, and you certainly don’t want to trade out of stocks in a weakening business environment. Open your history book and you’ll find that every recorded bull market started in the teeth of recession.*

Recently I began a monthly business cycle review asking “Is America on the Doorstep of Recession?” My answer today is no, but I hope you will follow along with me as I examine the evidence each month.

Don’t be shaken out of the market on bad news. Remain invested or you’ll miss the market’s best performance.

Can You Double Your Money in a Year? Fail at this, and You May Need To

Can you double your money in a year? Not many people can. But if you lost 50% of the value of your portfolio, that's exactly what you would need to do just to make it back to even.

If the prospect of trying to double your money sounds unappealing, I suggest you try not to lose that much in the first place. On this topic, I wrote in November 1994:

> *Unchanged Since the Twenties*
>
> *According to BBC television, the Classic Coke bottle, the VW Beetle and AGA Cooker are the three finest industrial design achievements of the 20th century. You know the Classic coke bottle, you know the VW Beetle, but the AGA Cooker?*
>
> *Contemporary stoves pale by comparison to this handcrafted, cast iron cooker that quickly becomes the heart and soul of any kitchen it inhabits. Available in a handful of vibrant enameled color, the heavily insulated, gas-fired AGA has no temperature controls and is always on.*
>
> *In most kitchens, 80% of cooking is done on the stove top and 20% in the oven. With an AGA, the reverse is true—80% or more is done inside. Externally vented ovens prevent cooking smells from returning to the kitchen, while gentle radiant heat produces superb cooking results—never, ever dried out.*
>
> *The AGA works on the principle of stored heat within the well-*

> *insulated cooker; your job is to simply choose the temperature you want from one of four separate ovens.*
>
> *This timeless, handcrafted work of beauty, functionality and simplicity was designed over 70 years ago and remains virtually unchanged since the 1920s. For more info on the incomparable AGA Cooker, [visit www.aga-ranges.com].*
>
> *Timeless describes the AGA's design, and timeless is the first word I use to describe my investment principles for you. I hope you will embrace my timeless set of investment principles; they will allow you a lifetime of investment rewards.*
>
> *As a serious, long-term investor, I want you to always consider risk before profits. Never forget, when you lose 50% on an investment, you must double your money next time out just to get even. And even then, you have earned zero return.*

Reducing risk in your portfolio is the best way to prevent wild swings that could generate losses you can't come back from. Focusing your efforts on diversification, dividends and interest, and on companies in industries with high barriers to entry can help you reduce risk in your portfolio. It's hard to double your money in a year, but it's easy to get started on reducing risk in your portfolio today.

The Three Best Retirement Decisions I Ever Made

In April of 2004, I explained to readers three decisions about retirement that I was very happy to pass on. I wrote:

> *Long ago, I made three decisions that I am happy to pass on to you regarding retirement: (1) Don’t. (2) Live in a warm weather state. (3) Live in a warm weather state without a state income tax and with a homestead exemption. My clear choice for #2 and #3 was and is Florida. We’ve been homestead exemption Key West residents since 1992.*
>
> *Debbie and I have traversed the complete 360 degrees of Florida. We don’t travel inland much. After all, if the choice is being near the water or not, it’s a no brainer, don’t you think? In that I write specifically to business owners, retired investors and conservative investors soon to be retired, all can benefit from my ongoing Florida intelligence seeking.*

You probably want to stop working eventually. And you may enjoy the cold weather. And you may even enjoy the mountains more than the water. Even if you disagree on the three points I explained back in 2004, it’s important that you find the right retirement plan for you, and that you begin working towards it today.

If you need help achieving your retirement goals, my family-run investment counsel firm can assist you. If you fill out the form below, you will be contacted by a seasoned member of my staff, who will discuss your retirement plan with you, and provide you with a free, no-obligation portfolio review. We can help you achieve your retirement goals, even if they are different than mine.

The Final Richard C. Young's Intelligence Report

After meeting monthly strategy report deadlines since 1978, I have decided it's time to switch gears.

The name *Intelligence Report* will survive, but with no contribution from Richard C. Young.

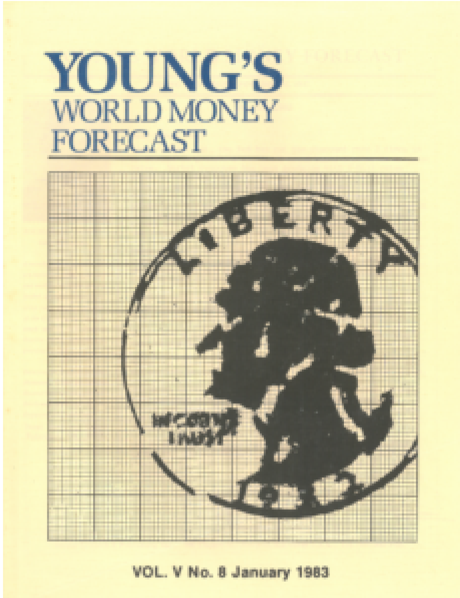
Instead, I am transitioning aggressively to full-time research on behalf of private clients of our family investment management firm, *Richard C. Young & Co. Ltd*.

In this expanded venture, I will completely shift away from common stock mutual funds. I will concentrate laser like on ***"Dividends Around the World"*** from domestic and foreign common stocks with track records of increasing dividends for at least the last decade.

The Return of Young's World Money Forecast

Supporting my international intelligence gathering and research efforts will be the return, after nearly a four-decade hiatus, of *Young's World Money Forecast* *(YWMF)*. I will be using ***YWMF*** techniques, gathered on Wall Street in the late sixties and early seventies, to provide breaking trends years ahead of the crowd. Here I am looking at a mix of inference reading and anecdotal evidence gathering based on my annual over 15,000 domestic miles on the road as well as at least two research forays to Europe each year.

Although I will not be making my portfolio management and specific dividend stock advice available at **youngsworldmoneyforecast.com**, I will be presenting regularly updated and customized information on all the dividend-paying stocks I've advised on over the years as well as input on every stock in the DOW 30. (Check back here regularly for date of site opening.)



A veritable treasure trove of intelligence will be at your fingertips daily—thanks to our unique $30,000/year database. You'll feel as if you have arrived at a private investment club after all the years you have spent with me and the "monthly printed word." Among the plethora of improvements you will experience with YWMF online is an enormous timing advantage. You'll be able to access ongoing regular and actionable dividend stock updates from me in real time, rather than wait for the archaic snail mail. That's one of the forward looking conclusions I came to when deciding to shut down my monthly deadline and dated in-the-mail effort.

My concentration will continue, as it has been over the decades, on strictly dividend-paying, dividend-increasing stocks. I, however, am making a clean break from the common stock mutual fund universe that I have been deeply involved with since the early sixties. Many of my long-time favorites have become too big for their own good or for that matter anyone else's. Many funds have failed to keep up on many fronts, including expenses.

I abhor the stupidity and self-serving interest of multiple portfolio managers. This dreadful and obfuscating transition has everything to do with dinosaur status and size limitations rather than you the investor. I will continue researching fixed-income and balanced portfolios, where I continue to find great value in individual manager input.

Ben Graham (the all-time dividend maven) was fond of stating: "One of the most persuasive tests of high quality is an uninterrupted record of dividend payments for the last 20 years or more. Indeed the defensive investor might be justified in limiting his purchases to those (stocks) meeting this test."

The Road Ahead in Real-Time

Well there you have it—my transformation from delayed and printed monthly copy to a rapid-fire, digital presentation (not in audio or books, of course) is now in the exciting kickoff phase.

As my online dividend intelligence program develops steam, I will be able to refine and improve upon my efforts since I am no longer constrained by a once-per-month communication. What was especially frustrating was the obvious, but perhaps not fully recognized, 10-day delay from the time I finished writing *Intelligence Report* to the time you, as a subscriber, received my finished report.

Today and in the future, any time I have a breaking idea, it will be available for your use immediately at YWMF. That has to have a pretty good sound to you. It sure does to me.

Thank you for your years of loyalty. I have worked diligently for over five decades on behalf of private client investors just like you. It is exciting that we can all transition together to a whole new and powerful world of compounding, (more here on compounding) profiting and sleeping soundly investing in the high-octane power of long term ***"Dividends Around the World."***

Warm regards,

Dick

Richard C. Young

P.S. I wrote in the May 2015 issue of *Intelligence Report* about Ronald Read, who despite working as a janitor was able to use the power of compounding to amass an $8 million fortune by the time he passed at the age of 92.

> ### *Pumping Gas to the Tune of $8 Million*
>
> *Hard to even comprehend, but this great story, courtesy the WSJ's Anna Prior, recounts how Ronald Read accumulated an estate valued at almost $8 million. Mr. Read, who passed away at the age of 92, made a modest living pumping gas for many years at a Gulf gas station in Brattleboro, Vermont.*
>
> ### *A Five-Inch Stack of Stock Certificates*
>
> *How did Ronald Read manage to become a multi-millionaire? Mr. Read invested in dividend-paying blue-chip stocks. As Ms. Prior writes, Mr. Read took delivery of the actual stock certificates and "left behind a five-inch-thick stack of stock certificates in a safe-deposit box." At his passing, Mr. Read owned over 90 stocks and had held his positions often for decades. The companies he owned paid longtime dividends. And when his dividend checks came in the mail, Ronald Read reinvested in additional shares. Apparently Mr. Read was the master of the theory of compound interest. Not surprising, his list of stock holdings included such dividend payers as Johnson & Johnson (NYSE: JNJ), Procter & Gamble (NYSE:PG), J.M. Smucker (NYSE: SJM), and CVS Health (NYSE: CVS), all names I write about for you here. No high flyers for Ronald*

> *Read, and certainly no technology names.*
>
> ### *Protect, Preserve, Patience, Perspective*
>
> *Obviously Ronald Read had been a staunch practitioner of my PPPP theme, featuring the basics—Protect, Preserve, Patience, Perspective. This WSJ feature article hit the press at the perfect time for me and you, as I'll now explain. For the first time since I created my Monster Master List—well over a decade ago—I have given the Master List of common stock names a complete overhaul. I have spent weeks in the process with the goal of giving you not only a roster of dividend payers but also a list where every core company has increased its dividend for a minimum of 10 consecutive years. I have rounded out the core list with a handful of special situation dividend payers.*

Originally posted on August 14, 2017.

Dividends Then and Now Are the Answer

I learned from Ben Graham nearly six decades ago that there's no better way to assess an investment than the cold hard cash it returns to you in the form of dividends or interest. In September of 2012 I wrote:

> *While at Babson College, I studied Ben Graham's Security Analysis. I still return to it regularly. In Chapter 35, Ben Graham writes, "For the vast majority of common stocks, the dividend record and prospects have always been the most important factor controlling investment quality and value…. In*

the majority of cases, the price of common stocks has been influenced more markedly by the dividend rate than by the reported earnings. In other words, distributed earnings have had a greater weight in determining market prices than have retained and reinvested earnings." Graham concludes with, "Since the market value in most cases has depended primarily upon the dividend rate, the latter could be held responsible for nearly all the gains ultimately realized by investors."

Always Keep It Simple

Made sense to me in the sixties and continues to make sense to me today. In fact, I attribute most of the success I have had in the investment industry to what I learned from Ben Graham nearly five decades ago.

If you haven't already included dividends and interest as central planks of your investment strategy, I suggest you do so today.

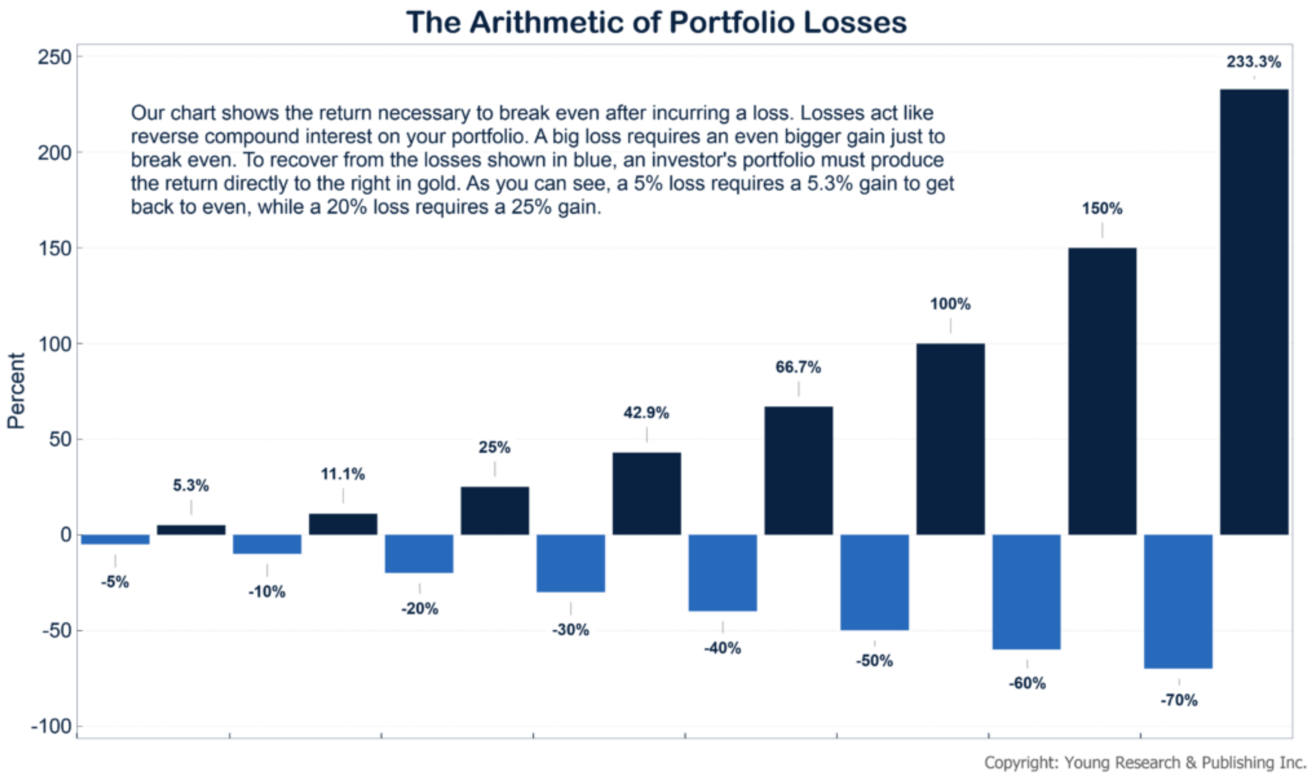
Retirees *Still* Cannot Afford a Walloping

With securities markets in a heightened state of volatility, it's a great time to ask yourself how exposed your portfolio is to risk. Most investors, if asked, would be able to provide little detail about the risks to their portfolio. If you find yourself unable to answer, that's ok.

It’s Not Too Late, Yet

Now is the time to begin assessing the risk in your investment portfolio. If your holdings are not balanced to help you achieve your goals, you should begin shifting them as soon as possible, because, as I wrote in April 2017, retirees cannot afford a walloping.

> ***Retirees Cannot Afford a Walloping***
>
> *Back in 1989, I said, “let capital appreciation come as it will.” Unlike dividends, capital gains don’t show up every year. Since 1960, the S&P 500 has recorded 17 down years, with one of those down years coming in at a stomach-churning 38%, two in the 20%–30% loss range, and seven additional years that recorded double-digit losses. Retired or soon-to-be-retired investors simply cannot afford to get walloped with double-digit losses without a steady stream of dividend income to soften the blow. The last thing you want in a bear market is to be forced into selling shares at the bottom to fund living expenses. Steady, increasing dividends provide the cash flow and comfort necessary to ride out down markets. Investors who bail at the bottom decimate their portfolios and are forced into playing a game of “catch up” to get back to even.*



> *You can see on my chart the return necessary to break even after incurring a loss. Losses act like reverse compound interest on your portfolio. A big loss requires an even bigger gain just to break even. To recover from the losses shown in black, an investor's portfolio must produce the return directly to the right in blue. As you can see, a 5% loss requires a 5.3% gain to get back to even, while a 50% loss requires a 100% gain.*

If you need assistance in rebalancing your portfolio, fill out the form below. You will be contacted by a seasoned professional from my family run investment counsel firm, Richard C. Young & Co., Ltd. who will perform a free, no-obligation review of your current portfolio.

Most Investors Fail to Learn This One Thing

Through more than half a century of guiding investors in their efforts, the greatest failure I have seen is an inability to learn from history. Repeatedly market participants set unrealistic goals, use overly complex strategies in an attempt to achieve those goals, and inevitably fail. In February of 2013 I explained this phenomenon, writing:

> *The Needy Investor*
>
> *Most investors, I'm sorry to say, are greedy, lack perspective and even a modicum of patience, and simply will not embrace the ultimate power of compound interest. I have found that too many investors fail to learn from history and attempt to use projected portfolio appreciation to make up for past beatings or to meet unrealistic spending targets. These investors are what I refer to as needy, and hope is used as their strategy. They eschew common sense and reality, and are always reaching and grasping at thin air. I have found it impossible to influence this group of investors and have long since given up the effort. Both a former Harley mechanic and my current Harley mechanic have told me that they were breaking down Harleys since they were little guys. I have watched what they do with amazement, much as I do with the many jazz musicians I have studied over the decades. Whether a Harley mechanic or a jazz musician, it's an aptitude one is born with. The same is true for the intuitive investor. Investors like you have the propensity to do the right thing. Investors who are needy will never get on the right track.*
>
> *Keep It Simple, Stupid*
>
> *Your next step is on the fixed-income front. You want short*

> *maturities and short portfolio duration. On the equities side, you want solid, blue-chip dividend payers with a propensity for increasing dividends. You want entrenched blue chips featuring a high barrier to entry. You never deviate from such companies. You do not guess market swings and market-time. You swear you will be patient and not greedy. Am I clear here? You may be a genius or know a genius that has a better master plan than mine. Great. But four decades ago, Ron Hoenig hired me to work at his institutional research and trading firm where he told me that he specialized in the KISS (Keep It Simple, Stupid) principle. Ron turns out to have been correct at every turn, and today, on your behalf and mine, I continue to stick with the SIMPLE approach.*

In your efforts to invest successfully, I can give you no greater advice than to 1) don’t be a needy investor who sets unrealistic goals, and 2) keep your investing strategies simple and understandable. It should not be difficult for you to explain your investment strategy to your 10-year-old grandchild, let alone your spouse.