How I Overcame My Biggest Investment Failure

Back in 1991, I had already been through multiple business cycles in my investing career. I wanted to teach investors how to avoid my biggest failure in investing up to that point. Here's what I wrote:

> ***Reduce Risk with Betas***
>
> *Not only do I want to help you achieve an "A" in total-return performance, I want you to achieve this return with as little risk as possible. In the stock market, the words risk and volatility are synonymous. I want you to concentrate most of your efforts on stocks that are less volatile than average.*
>
> *What you need to know is a stock's beta, or the measure of its volatility. A stock with a beta of 1.0 has characteristics of volatility that equal the average stock. A stock with a beta of 0.8 is only 80% as volatile as most stocks. A stock with a beta of 1.3 is 30% more volatile than most stocks.*
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> *You want to achieve your…goal with as little volatility as possible. You will sleep better with less volatility and will be able to ride out market downturns fully invested with a large degree of comfort. You will be most comfortable with stocks that have betas of 1.0 or less.*
>
> *Remember, over time the stock market advances in seven of every ten years. Over the years, my biggest failures have come from missing the boat or being under-invested during major market moves. When times were tough, I missed the boat because I was too hesitant to invest, and during recessions I was under-invested. No more. Today, I never miss the boat because I am always in the boat, and I want you to remain in the boat along with me. It is simply a matter of ensuring how you are*

> *balanced in the boat so as not to be rocked out in rough water.*
>
> *Don't forget, because the market goes up in seven of ten years and down in only three, you always want to be in and stay in the game.*

Remaining invested and focusing on lower beta equities will help you stay in the game. In Young Research's Retirement Compounders® investment program, average beta today runs at 0.76. The program comprises dividend-paying common stocks selected from the over 40,000 publicly traded companies around the world. The Retirement Compounders® program favors high-dividend payers, those with a history of dividend payments, and companies with a long record of consecutive dividend increases.

The Retirement Compounders form the basis of equity investing at my family-run investment counseling firm, Richard C. Young & Co., Ltd. If you would like to receive regular updates on the equity strategy implemented at our firm, please sign up for our monthly client letter (free even for non-clients) by clicking here.

Should You Take the Dividend Blood Oath?

I have always been passionate about dividends, and if you learn to understand their power, you will be too.

I even told readers in 2002 to take a blood oath to buy only dividend payers. Alarmed? While I was joking about the blood oath, I was very serious about the power of dividends in an investment portfolio, and I still am.

Here’s what I wrote:

> *As to dividends, not long ago, Fortune ran a nice piece, “Reap the Dividends.” Fortune wrote, “According to Ibbotson Associates (I love their work), if you had invested $100 in the S&P 500 in 1926 and continually reinvested the dividends, that stake would be worth $247,352 today. Without dividends that same $100 would now be worth just $9,844.” Read what I just wrote out loud to your spouse. And then take your thou shall buy only dividend payers blood oath together. Your blood oath will keep you out of a pack of trouble. Boards of directors that raise dividends with regularity must believe their company is moving forward. If not, dividend increases would not be voted. You will further insulate yourself from risk if your dividend payers have a strong balance sheet with a reasonable debt load. And no debt is best of all, but rare today.*

If you would like to learn more about how dividends can help you achieve your retirement goals, download *Dividend Investing: A Primer*. It is packed with information about why dividends must be part of your investment portfolio. Click here to download a free copy of the report from Richard C. Young & Co., Ltd.

What the Iran Situation Means for Gold

Since the end of 2019, gold prices have been on a breakout trajectory. Now, in response to rising tensions with Iran, things are getting very interesting.

The news that the United States had bombed Iranian Major General Qassem Soleimani increased the perception of risk in the Middle East, and drove the price of gold even higher.

I have always suggested to investors that they maintain a gold component in their portfolios, not as a road to riches, but as an insurance policy against inflation, disaster, and war. Typically when every other assets' price is falling, gold's is rising.

Here's how I explained it back in 1986:

> *Throughout history gold has been the money of last resort. Every central bank in the industrialized world holds gold as an international reserve asset. Countries like Switzerland maintain a high percentage of gold holdings in relation to total money supply.*
>
> *What is the proper course to take in building a gold cornerstone for investment portfolios? Most individuals look to bullion coins, mining shares, and gold certificates from major banks. I like certificates when an individual has no interest whatsoever in gold and invests in gold strictly as a portfolio tool. Certificates also have appeal for institutional investors. Gold mining shares should not be used as a gold proxy for cornerstone positions.*
>
> *Gold share mutual funds should be considered in the stock fund section of one's portfolio, but not in the gold cornerstone section. Shares are subject to political and natural disruptions that invalidate their inclusion as gold cornerstone investments.*

Since I wrote those words, a lot has changed in the way Americans can invest in gold. The creation of gold-backed ETFs was probably the most significant development. To learn more about how to invest in gold today, click here.

If you would like to understand how my family-run investment counsel firm uses precious metals to craft counterbalanced portfolios, sign up for Richard C. Young & Co., Ltd's monthly client letter. The letter is free, even for non-clients. You don't want to miss it.

Did You Get AirPods for Christmas?

At the turn of the century, the most popular Christmas gifts among America's young teens were Pokemon playing cards and merchandise. Now, 20 years later, the hottest gift for Christmas is Apple's AirPods. The pro version of the small wireless headphones cost $249 (before taxes).

Shortly after the kids opened their gifts on Christmas 1999, I was writing about a new technology I thought would be significant in the coming years: Bluetooth. Through inference reading and analysis, I had determined that Bluetooth could be a major innovation in technology. As it turns out, it is the very technology that allows Apple's AirPods and billions of other devices to communicate.

I wrote back then:

> *Pulling out a Bluetooth—what a way to start the millennium. A group of five superpower companies (Intel, IBM, Nokia, Ericsson, and Toshiba) have formed a consortium to pull a Bluetooth surprise. It looks to me as if Bluetooth will fast*

become as brand recognized as, say, Intel's Pentium chip.

So what is Bluetooth, and why do you care? Bluetooth is a radio wave-based language. The technology will allow several wireless devices to communicate with each other wirelessly (a voice-activated phone with a Palm Pilot with a laptop). By summer, I look for many Bluetooth-enabled devices to hit the market. How big is the market? It may be a slow start—maybe one-half million devices sold in 2000—but the explosion will come.

And explode it did. In 2018 alone nearly 4 billion devices sold with Bluetooth. Projections for 2019 are 4.2 billion, rising to 5.2 billion devices by 2022.

The same inference reading skills I applied to examing Bluetooth technology 20 years ago are what I use in support of my family-run investment counsel firm, Richard C. Young & Co., Ltd. today. Each year, just as we did in 1999, Debbie and I cover many thousands of miles in pursuit of information we can use to measure the pulse of markets.

That research and the efforts of a full investing staff are explained each month in the client letter from Richard C. Young & Co., Ltd. If you want to understand our investment efforts and strategies better, please sign up for the letter by clicking here. It's free, even for non-clients. You can also see back issues by clicking here.