How You Should Invest Today: Part II

These two charts (below) on Dover Corp. and Procter & Gamble show you long-term compounded dividend and stock price growth for both.

In both cases, the long-term trend shows a pattern of consistent annual dividend growth matched with long-term stock price appreciation.

In Dover’s case, the dividend has compounded at an 8.9% rate of growth and the stock an even stronger and equally consistent 10.9%. For P&G the numbers have been 8.4% and 10.4%.

What you are looking at in both instances is decades of consistency, stability, and comfort for shareholders.

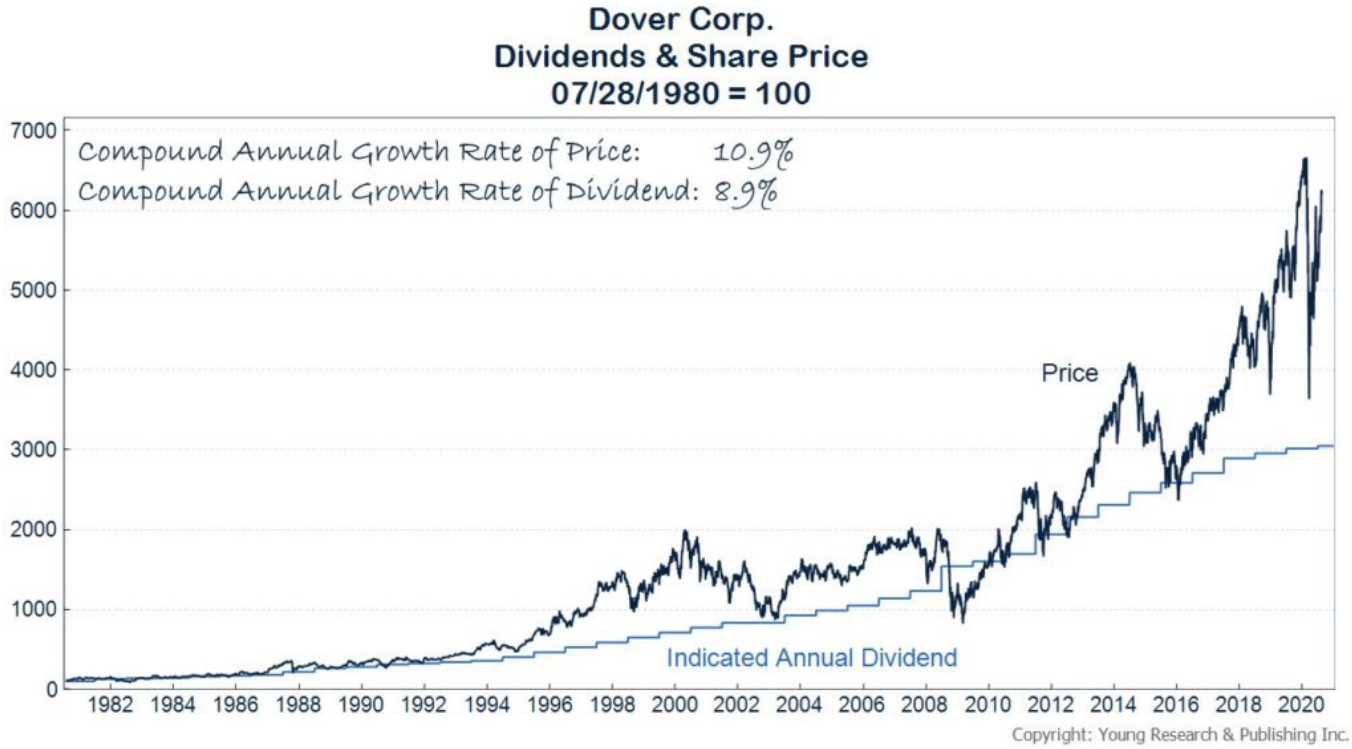
At our family investment counseling company, these are the only kind of companies we invest in for clients. Our master list of potential portfolio companies includes only companies with similar long-term records.

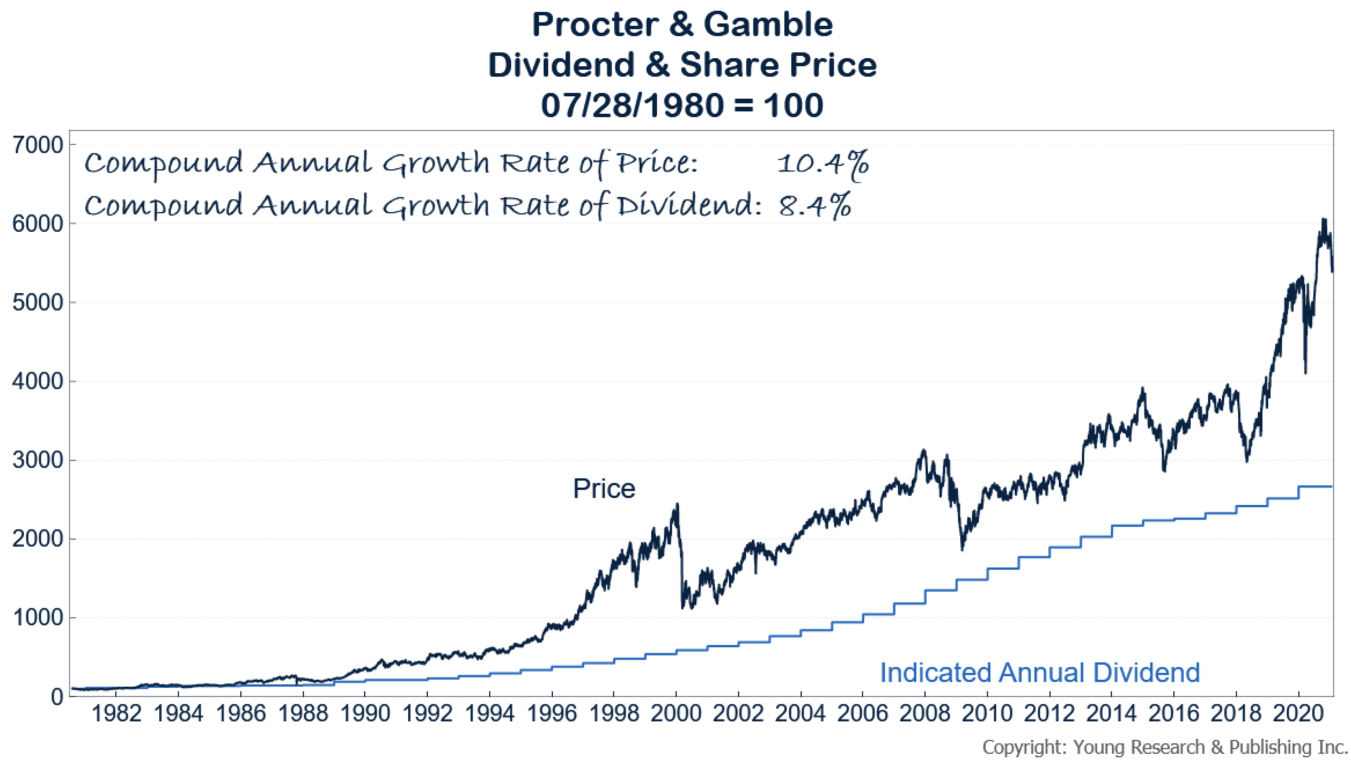
We never even consider companies without long-term records of dividend growth.

I have been writing about consistency, stability, and compound growth for five decades. And underpinning every report has been a foundation of dividends.

When you concentrate on dividend growth and stability, you never have to think about capital appreciation. It will take care of itself as my charts on P&G and Dover Corp. demonstrate, as long as the dividend is growing.

So, the easy lesson in this second part of my “how to invest today” series is to make dividends your password to investing both now and in future years.





Read Part I here.

How You Should Invest Today: Part I

Charles Dow created the Dow Jones Industrial Average (DJIA) in 1896. Originally the Dow had 12 companies:

American Cotton Oil; American Sugar; American Tobacco; Chicago Gas; Distilling & Cattle Feeding; General Electric; Laclede Gas; National Lead; North American; Tennessee Coal and Iron; U.S. Leather; U.S. Rubber

Not one of the original 12 DJIA stocks remain today as DJIA components.

That tells you the first couple of things you need to know in becoming a successful long-term investor.

First to remember, any stock average or index is not static, but is a revolving door. That is why I have never been interested in comparing my own investment record nor that of my clients against any average or index.

Second, most are either market capitalization (S&P 500) or price (Dow 30) weighted. Why would I want to consider my own investing program in comparison to two groups of stocks organized in a format that I would not dream of deploying myself?

So, where do you start? It is quite easy: Concentrate on diversification, dividends, compounding, and, above all, patience.

For something that doesn't sound too hard, in my experience over five decades in the business of counseling investors, this seemingly easy menu is almost impossible for the individual investor to grasp.

In Part II of my series, I will help you get on just the right track to begin your journey as a comfortable and successful long-term investor.

US Dollar Craters vs Swiss Franc

Since last spring, my clients and I have been buying Swiss francs and lately Swiss franc denominated, dividend-paying equities.

What’s behind the dollar’s collapse? Too many dollars relative to Swiss francs are being printed. It’s no more complicated than that.

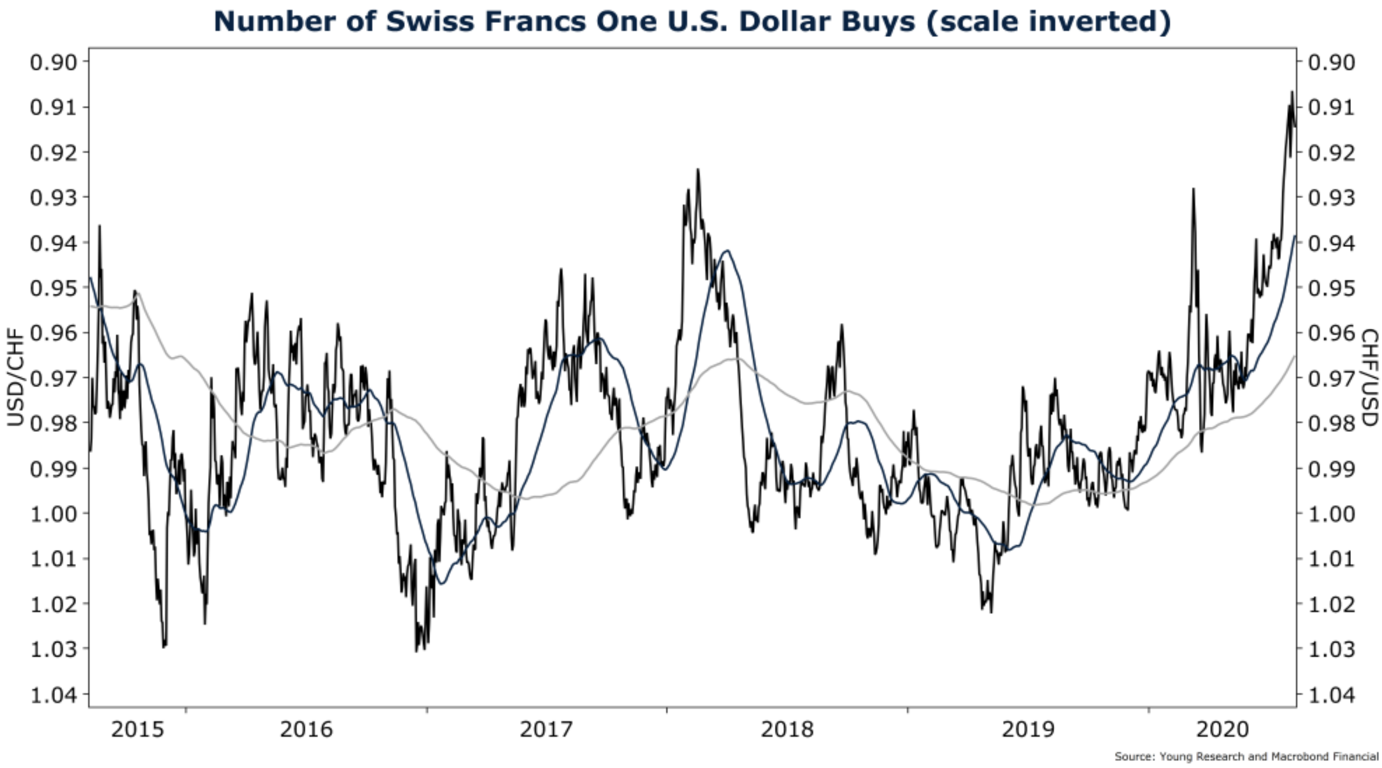
It is the Fed who is responsible for debasing the currency.

The Fed’s “private club” was introduced by Woodrow Wilson, America’s worst president, in 1913.

Since then, the Fed has increasingly muddled with the economy in total opposition to its original intent.

I have written often that I would return the Fed to its founding principles prior to shuttering it for good.

In the meantime, the dollar will remain on thin ice.



Monetary Heart Attacks Likely to Lead to S&P 500 Crash

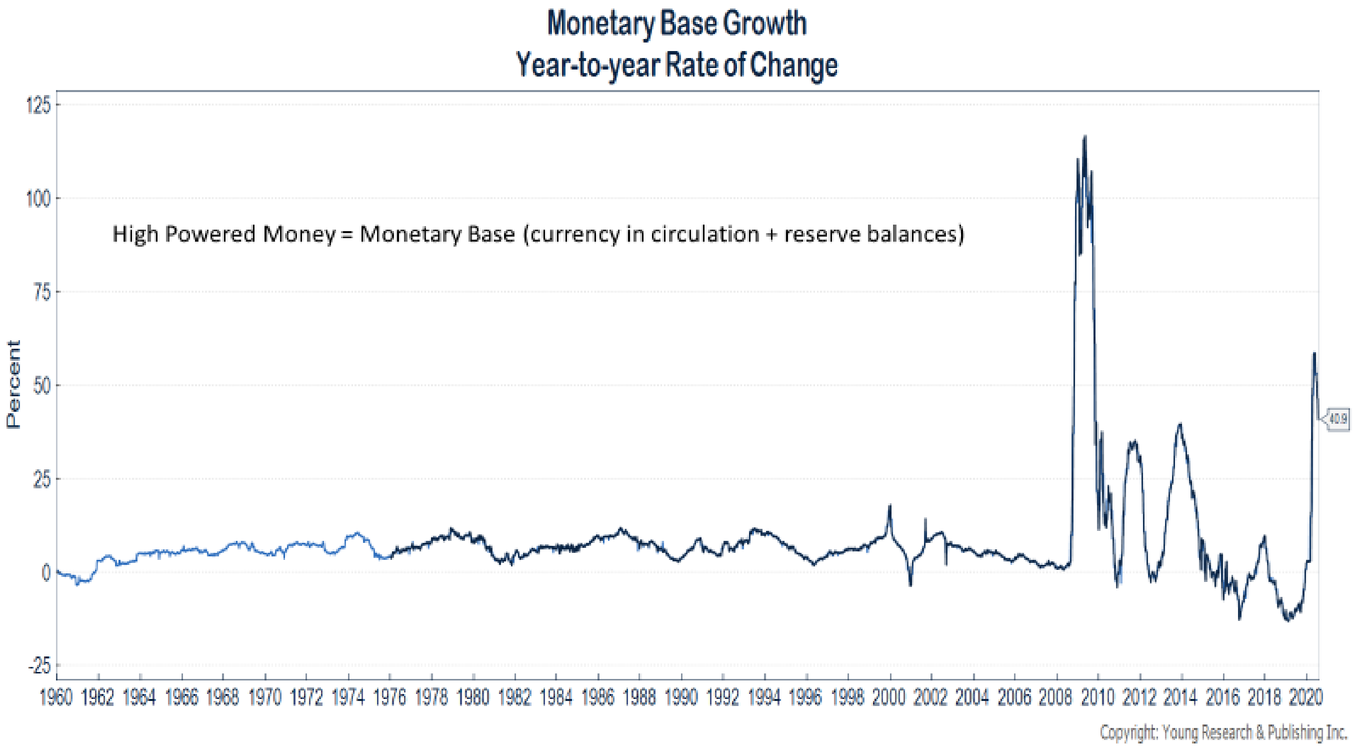
My charts (the Fed's EKG) on high powered money and M2 growth point clearly to undisciplined chaos at the Fed.

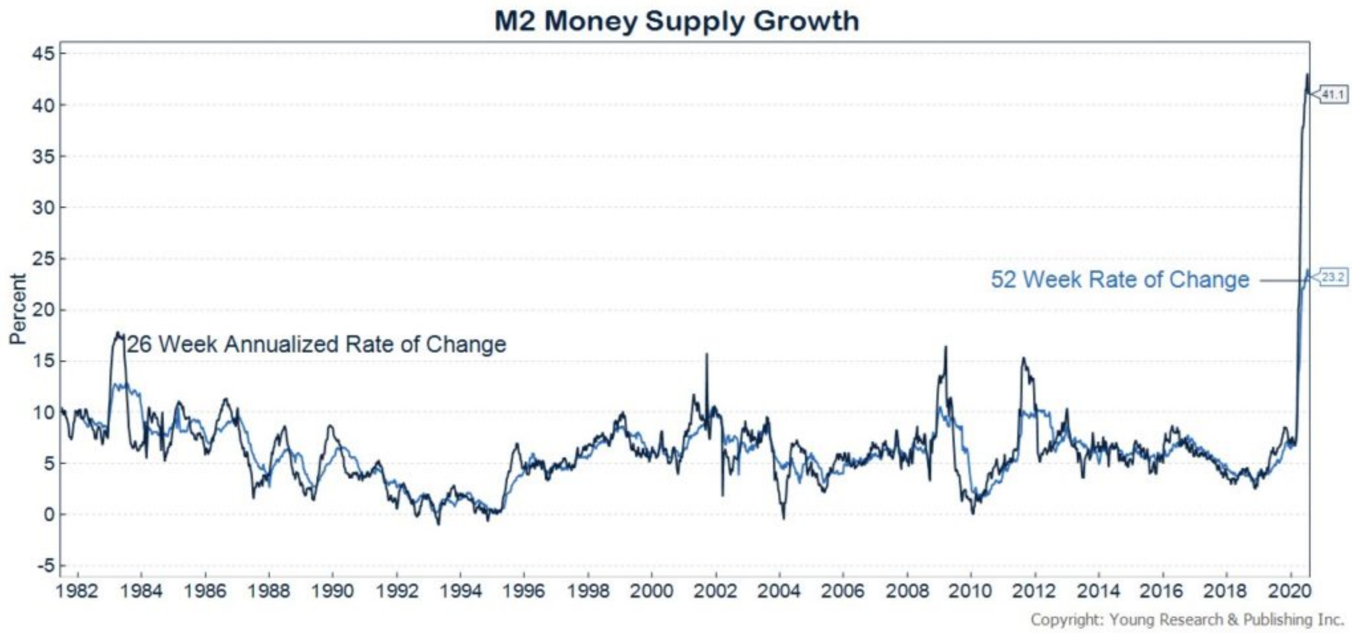
Do you see any instance of such chaos in preceding decades? No!

Indeed, payday will arrive.

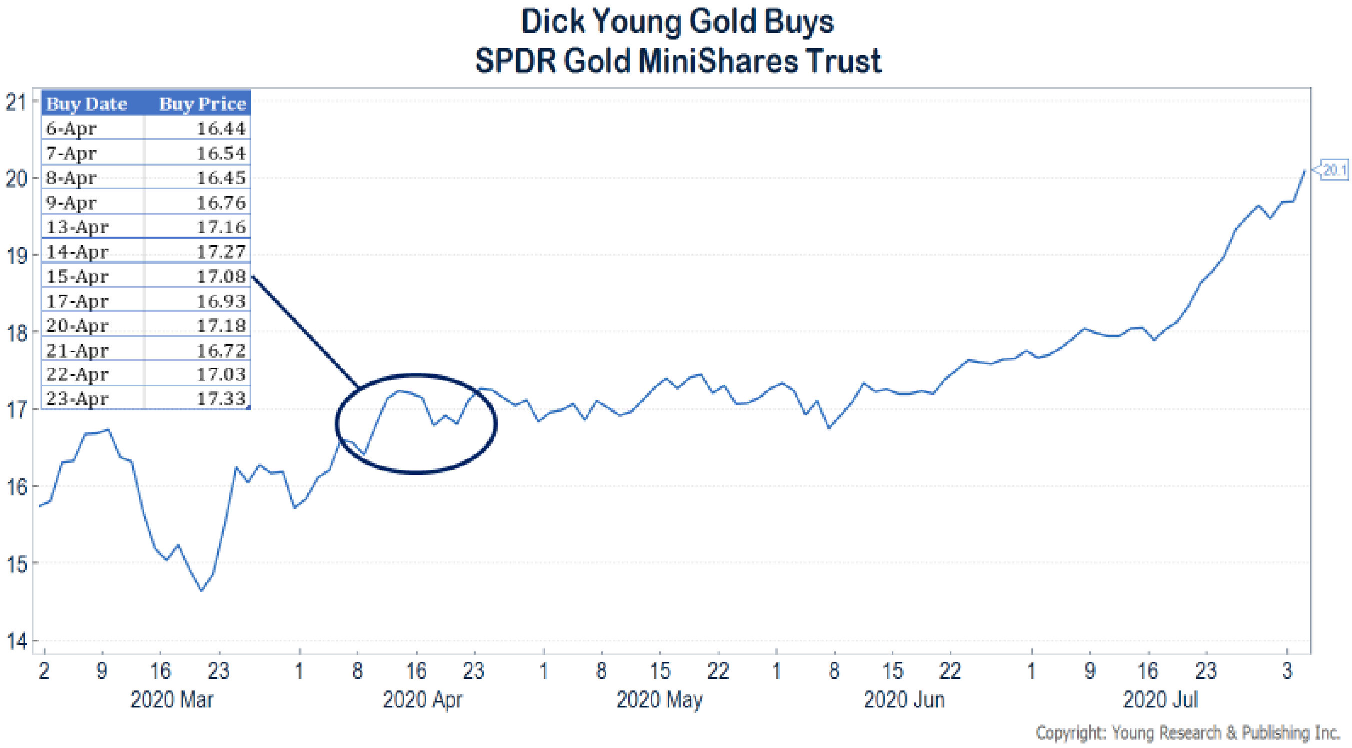
The table indicating my own program of gold buying gives you a look at one of a number of moves I made last spring to balance myself for the inevitable comeuppance.

At our [family investment counsel firm](), we emphasize ongoing strategy discussion, featuring new issue corporate bonds, dividend-paying Swiss franc denominated stocks, and currency and especially high US dividend-paying blue chips. Our laser-like concentration is on companies that have increased their dividend for decades.





M2 consists: currency outside of the U.S. Treasury, Federal Reserve Banks, and the vaults of depository institutions, traveler's checks of nonbank issuers, demand deposits, and other checkable deposits, savings deposits (which include money market deposit accounts, or MMDAs); small-denomination time deposits (time deposits in amounts of less than $100,000); and balances in retail money market mutual funds.



Buy Date	Buy Price
6-Apr	16.44
7-Apr	16.54
8-Apr	16.45
9-Apr	16.76
13-Apr	17.16
14-Apr	17.27
15-Apr	17.08
17-Apr	16.93
20-Apr	17.18
21-Apr	16.72
22-Apr	17.03
23-Apr	17.33

Dump All Low Yielding US Treasuries Now

Today we have a situation where the Fed has forced individual investors with life-time savings to subsidize corporate buybacks, acquisitions, and Wall Street banking industry borrowing and speculating. It’s what I call de facto robbing and stealing.

In reality, the Fed is nothing more than a private club to favor corporate and banking elites.

When the Federal Reserve was first established in 1913, Congress directed it to “furnish an elastic currency, to afford means of rediscounting commercial paper” and to establish a more effective supervision of banking in the U.S.

The Fed’s duties should have been left there. But no …

On 27 October 1978, President Jimmy Carter signed into law the Full Employment and Balanced Growth Act. The act requires the chairman of the Federal Reserve to connect the monetary policy with the president’s economic policy.

I would look to nullify the act in its entirety.

If the Fed is retained, its purpose should be confined to the narrow founding definition, and nothing more.

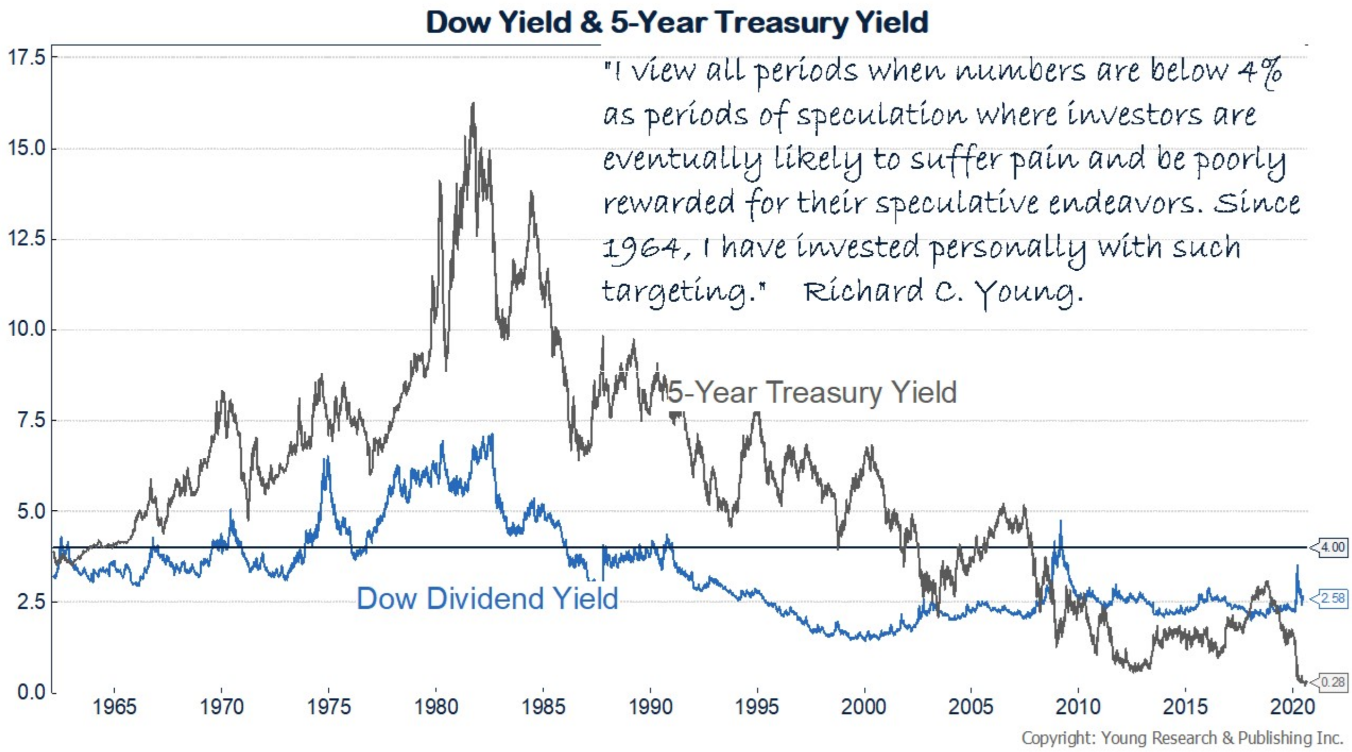
My two charts (below) indicate the circus climate the Fed has promoted today. Whenever interest rates stand below 4%, the economic and monetary system is out of whack.

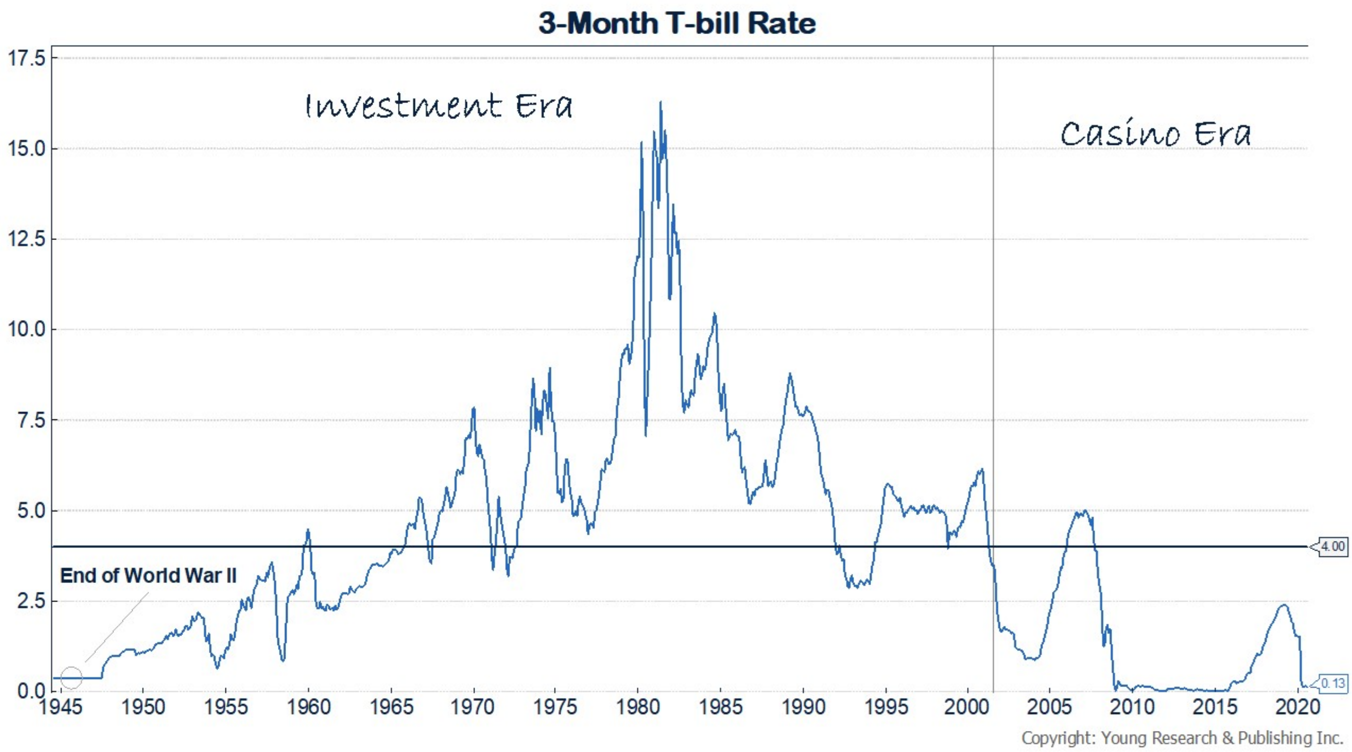
Twice this century the Fed has allowed rates to sink below 4%. On the second of the two rebounds this century the Fed did not allow rates even to return to a more natural 4%.

Early this spring my family investment counsel firm sold all of our Treasurys. I also sold all of mine.

Today we are laser focusing on new issue corporate bonds, high-yielding blue-chip equities, Swiss franc denominated assets, and gold.

The Fed is attempting to control both the quantity and price of money. Bad things will happen and misguided individual investors will once again pick up the tab as the general stock market crashes in shock.




3-Month T-bill Rate
Investment Era
Casino Era
End of World War II
17.5
15.0
12.5
10.0
7.5
5.0
2.5
0.0
4.00
0.13
1945
1950
1955
1960
1965
1970
1975
1980
1985
1990
1995
2000
2005
2010
2015
2020
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