The Magic of Compound Interest

Back in 1964, I began a lifelong mission as a disciple of compound interest investing. In those earliest days, home base was Clayton Securities at 147 Milk St. in Boston's financial district.

By 1971 I had gotten into institutional trading and research with Model, Roland & Co. on Federal Street. My first accounts were Fidelity Investments and Wellington Management.

Today, over 50 years have somehow flown by, and I am still doing business, a whole lot of it, daily with Fidelity (my family investment firm's custodian) and Wellington (my own account's largest positions).

Wellington, for its part, manages billions of dollars in client assets for Vanguard. In the late 80s and early 90s, my friends at Vanguard let me know that my newsletter was responsible for directing more assets Vanguard's way than the rest of the newsletter industry combined.

Jack Bogle, the founder of Vanguard, was a friend of mine from Jack's days at Wellington., Jack provided the key testimonial for my first book.

The focus and foundation for my five-decade adventure has been rooted in one little phrase: ***compound interest***. The accompanying photo is my tattered little Union Carbide spiral booklet.

COMPOUND INTEREST TABLES

DIVIDE 72 BY % INT RATE
TO FIND APPROX YEARS TO DOUBLE

ie 72/10% = 7.2 yrs

Geo. Putnam
New Generation Fin
Philly

MONEY DOUBLES AT 10%
in 7.2 YRS.

$10,000 = 20,000 7.2 yrs
40,000 14.4 yrs

UNION CARBIDE CORPORATION

270 Park Avenue
New York, N.Y. 10017

In 1992, Debbie and I bought a little pink Conch cottage in Old

Town, Key West, just 90 miles from Cuba. Our son Matt has been our president since, and our daughter Becky is our chief financial officer. E.J. (Your Survival Guy), our son-in-law, after a valued internship with Fidelity, is director of client services.

I continue to research and write seven days a week on behalf of our firm's clients. Debbie and I still live in Key West, and we do a lot of our research in the 8th arrondissement of Paris. The six-hour time difference works to our favor in getting material to our editorial staff back in Newport, RI.

Thanks to one basic concept – *compound interest* – I have been able to comfortably and with astounding consistency plot the course for our ultra-conservative, balanced investment firm for over five decades.

You can bet that Debbie and I were pretty proud when our son Matt recently called to tell us that *Barron's* had informed him that he had been selected to Barron's Hall of Fame, while *CNBC* had just ranked our modest investment management firm #5 in America out of more than 14,800 registered investment companies. I guess when all is considered, there is a lot of good that be said about compound interest, consistency, and the value of the Prudent Man Rule.

As they say, "It works for me."

Dick Young
Old Town Key West
5 April 2022
90 miles from Cuba

A Case Study in Dividend Success

At Young Research, when we look for dividend stocks for the Retirement Compounders, we favor companies with strong balance sheets, stable businesses, a healthy dividend yield, and a history of increasing dividends.

What does that look like in practical terms? While the ideal company financial position for the RCs can vary by industry and sector, Procter & Gamble serves as a nice case study in dividend success.

A Strong Balance Sheet

We look for companies with strong balance sheets because financial strength provides flexibility during tumultuous times in the business cycle.

Procter & Gamble (P&G) has one of the strongest balance sheets among large U.S. businesses. Its debt is rated Aa3/AA- by Moody's and S&P. Only about 2% of firms in the S&P 500 have a credit rating as good as P&G's.

P&G's debt after backing out cash on the balance sheet is about equal to the company's cash flow before taxes and interest. In other words, P&G could theoretically pay off its debt in a little longer than one year if it used all cash for debt reduction.

With a balance sheet that strong, P&G could fund its dividend for several years even if it runs into a rough patch.

How could P&G fund the dividend during a rough patch? For starters, there is $10 billion in cash on the balance sheet. Assuming a rough patch for P&G caused profit margins to go from

19% today to zero, P&G could fully fund a year’s worth of dividend payments with cash on the balance sheet. The second line of defense for the dividend would be for P&G to borrow money. P&G could easily borrow 2-3 years’ worth of dividend payments without losing its investment-grade rating. Obviously, the definition of a rough patch can vary, but in the scenario outlined above, P&G could have a 3–4-year rough patch without putting the dividend in jeopardy.

Business Stability

P&G’s dividend reliability is also bolstered by the nature of its business. Toilet paper, diapers, toothpaste, and cleaning products are staple purchases for most consumers. That is true whether the economy is in boom or bust. Stable businesses tend to be better equipped for long-term dividend payments and dividend growth than cyclical businesses.

Dividend Payout Ratio

When possible, we also favor companies with modest dividend payout ratios. The payout ratio is the percentage of net earnings paid to shareholders in the form of dividends. Firms with lower payout ratios can more easily continue to pay and raise dividends even during a business downturn. If a company has a payout ratio of 100%, any drop in earnings will either require the company to reduce the dividend because the earnings aren’t there to support it, use cash on hand, or borrow money.

Procter & Gamble pays out about 60% of its earnings to shareholders in the form of dividends. That means earnings could fall by 40% without requiring alternate means to fund the dividend. In practice, for many industries, we compare the dividend to free cash flow instead of earnings to get a truer picture of the payout ratio. P&G looks even better on that metric.

The Dividend

Next is the dividend and the dividend policy. Everything else equal, higher dividend yields are better than lower dividend yields, and a stronger commitment to the dividend in the form of a long record of dividend payments and a long record of dividend increases is better than a weaker commitment to the dividend.

- P&G shares yield 80% more than the S&P 500
- P&G has paid a dividend every year since 1891
- P&G has increased its dividend for 66 consecutive years

The Model of Dividend Success

With a strong balance sheet, a stable business, a modest dividend payout ratio, and an enviable dividend track record, P&G truly is *the* model of dividend success.

Work to Make Money/Invest to Save Money

The U.S. government must finally wise up and put an immediate end to the insane double taxation of dividends.

The government, facilitated by the Fed, is in an ongoing war to destroy the value of the dollar by printing money beyond any reasonable rate of expansion. Simply take a look at real estate prices to witness the explosion in liquidity.

Do not let the government destroy the value of your retirement. Demand that the government ends the double taxation of dividends!

Originally posted October 17, 2017.

With the exception of the large sums of money that I invested in zero-coupon treasuries (Benham Target Funds) in the 1980s and 1990s, I have never invested based on how much money I expected to make. I work to make money. And I save to keep every dime of the money I have worked a lifetime to earn. There was a day when I had darn few of those dimes. Those days made an indelible impression on me, and will so forever.

I invest with a rolling 10-year average annual return portfolio target of a balanced 4+%. This modest target is based on the normalized annual portfolio draw I advise for retired investors. Long-term balanced targets include surviving through agonizing periods of negative returns for the stock market in general. I remember like it was yesterday the tortuous 16-year bear market of 1965 through 1981. This period encompassed my entire career in the institutional research and trading business. It terminated with the Dow down 10% from where it began. Had I not emphasized 100% fixed income in my own account and in our college savings program for Matt and Becky, my goose would have been cooked. It never pays to be an investing know-it-all.

My investments today, for me and for all our clients, combine a mix of intermediate and short fixed-income securities and portfolios of dividend-paying stocks. Annual dividend increases are always at the forefront of my investment process. Ben Graham advocated a portfolio mix of 75/25–25/75 fixed income and

equities. Ben. eschewed moving outside of this range, and I've never come across evidence that supports otherwise.

Since my earliest investing days in the 60s, I have relied upon the ground rules and reference material I studied while an investment major at Babson College. It was based wholly on the advice given in my Graham & Dodd textbook and my studies in Dr. Wilson Payne's investment seminars. Decades later, I've not changed my philosophy.

Through the years, I've had the privilege of influencing the investment thought process of thousands of individual and corporate investors around the globe. Many have been my management clients since I started Richard C. Young & Co., Ltd. in the late 80s, and the majority would likely agree with me that I am perhaps the most consistently boring, prudent, patient investment advisor on the planet. I certainly hope this is so. Like *The Hobbit*, I view adventures (in this case investing adventures) as "nasty disturbing uncomfortable things" that "make you late for dinner."

I am ultraconservative in my daily affairs of life, which includes personal security preparation, and I see no purpose in not applying the same protection to financial security.

I modeled our family company after the old-line investment counseling family-run firms that populated Boston's financial district along State, Federal, Milk, and Congress streets in the sixties—a harking back to a more gentrified era in investing. Many of these fine old white-shoe firms were my clients when I was associated with the internationally-focused Model Roland & Co., where I was involved in institutional research and trading.

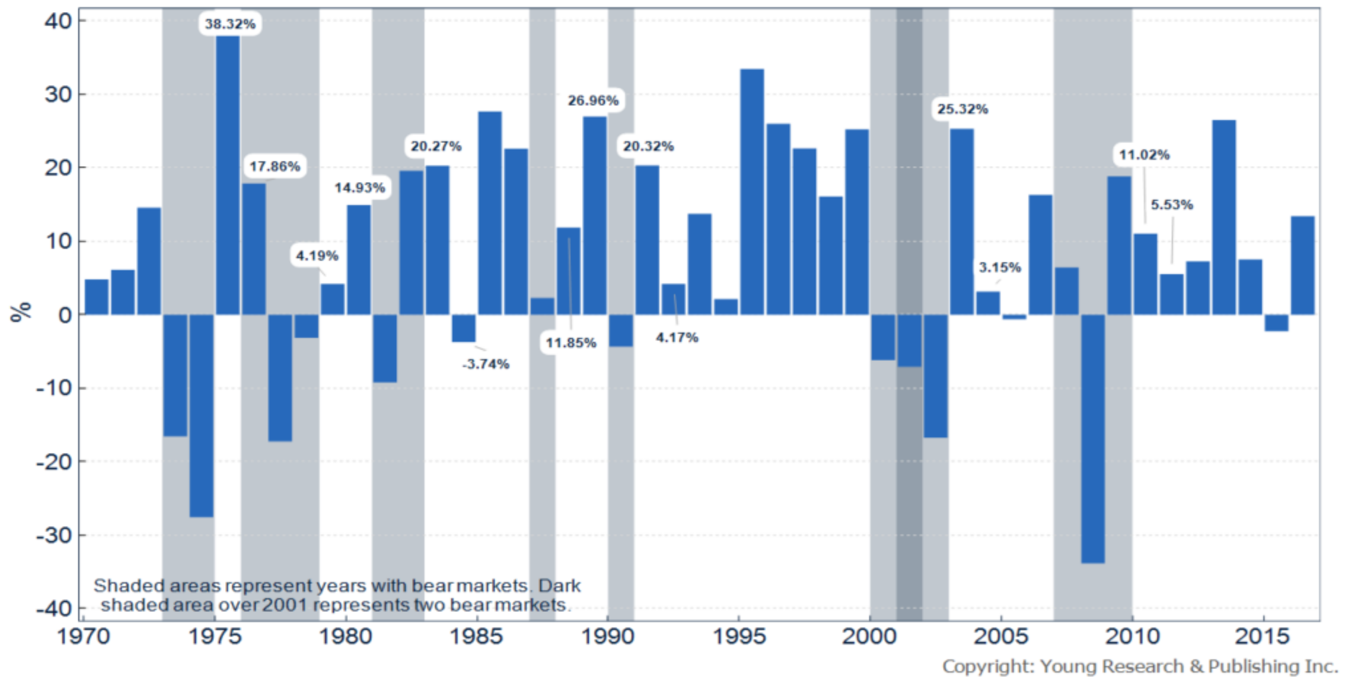
My clients, such as the venerable Boston Safe Deposit & Trust, State Street Bank & Trust, and First National Bank of Boston, built their foundation on *The Prudent Man Rule*.

The Prudent Man Rule directs trustees “to observe how men of prudence, discretion, and intelligence manage their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income, as well as the probable safety of the capital to be invested.”

These are the conservative principles our family investment council firm practices. Our firm’s focus from the beginning was, and today is, based on *The Prudent Man Rule* along with the theories of dividends and compounding pioneered by Ben Graham.

Over the decades, I’ve learned that most individuals do not possess the requisite patience and discipline to excel as successful long-term investors. The patience-deprived universe tends to be what I think of as needy hip-hop investors. They look for the financial markets to either bail them out of past investing indiscretions or, worse yet, to produce rewards far beyond reasonable levels of commensurate risk. Our family investment management firm does not offer the type of environment suitable for the needy or greedy.

The needy and greedy tend to possess an investor twitch that requires action—lots of action. This crowd looks to market timing, second-guessing, and what-if-ing. Most of the big moves in any investment cycle come in the year or two after the exact bottom of a cyclical bear market.



Well, market timers most often sell out late in bear cycles, and then are too afraid to get back into the market in time to catch the initial upsurge. The needy/greedy tend to miss the big gains every time.

At Richard C. Young & Co. Ltd., our goal is to remain balanced as well as fully invested. This repetitive plan, definitely counter-intuitive to many investors, ensures never missing the big moves. It also requires never participating in any meaningful way in the bubble or blow-off stage of over-priced markets that are on the precipice of cratering and wiping out a lifetime of savings along the way. No thanks. I long ago learned this bedrock principle.

Today's investment landscapes and processes have become so difficult that for most individuals going it alone, especially while preparing for a safe and secure retirement, is no longer comforting or attractive. Many of the old standby bastions of investing are no longer an option. I am referring to the vast majority of all-managed equities mutual funds and a wide swathe of the indexing ETF universe. The fund industry has simply

outgrown its skin. Funds have grown too big, and their options in dividend-paying common stocks are too few, due to size constraints for massive funds. This is only common sense.

With minor exceptions, I no longer advise these out-of-phase funds. Rather, stocks of individual dividend-paying companies including smaller concerns and foreign securities, are our focus for clients. At our management company, we craft what we label Retirement Compounders portfolios.

Investing in foreign securities is not the province of the individual investor or, for that matter, most advisors. Having been directly involved in researching and trading in foreign securities since 1971, I can ensure you that process presents a sticky wicket best left to experienced hands. Markets are thin, currency valuations enter the picture, and macro events often call the tune in foreign securities investing.

I travel to Europe frequently. Decades of on-the-ground anecdotal evidence gathering and personal contacts allow me to form the direct knowledge imperative in the decision making of investing in foreign securities. With the exception of my old stomping grounds in Boston, I am more comfortable today in Paris, by example, than any big U.S. city. More international decision-makers and event making potentates visit Paris annually than any other city in the world. On each new visit, I gather a wealth of intelligence to support my global investment strategy. This boots-on-the-ground anecdotal evidence gathering, in conjunction with my decades of daily inference reading, allows our firm to offer clients a distinct perspective on the international investing landscape.

Bond investing has also moved far outside of the scope of the individual investor. It used to be that an investor looking to collect safe and secure interest income could park his money in a Treasury Bill or a CD. Sure, he would give up some yield in return for safety and simplicity, but still collect enough to

harness the power of compounding.

Today, there is nothing to compound.

T-bills are being issued at a 0.00% interest rate and CDs don’t offer much more. Even longer-term Treasury bonds no longer keep pace with inflation.

Leaving bonds out of your portfolio is not an option either. Bonds help you own stocks during down markets and bonds help moderate the ups and downs of your portfolio.

Proper bond management in today’s dismal interest rate environment takes a tactical and opportunistic approach. To earn decent yield, you have to take credit risk, but knowing when to dial it up, when to dial it down, which bond sectors to favor and when, and which maturities to target and when, requires ongoing research and analysis on the economy, industry, monetary policy, fiscal policy, and geopolitics. And that’s the bare-bones approach.

I have been active for investors in the bond market since 1971, and I feel one of the biggest benefits our clients get when they sign on with Richard C. Young & Co., Ltd. is individual bond selection and management.

I sincerely hope you and your family benefit from many worthy insights into the myriad factors that allow conservative, retirement-thinking investors like you to find a warm and comforting home base for retirement planning and investing at Richard C. Young & Co., Ltd. My best wishes to you for success. Welcome to the family.

Warm regards,

Dick

Apple Increases Its Dividend by 7% on Record High Profits

Apple Inc. raised its dividend by 7% today to 22 cents a share and increased an existing share repurchase program after results showed record-high profits. Tim Higgins reports in *The Wall Street Journal*:

> *Apple Inc. AAPL -0.60% signaled that the historic rise in sales it has achieved during the pandemic is set to continue, addressing a key investor concern as the company reported a profit that more than doubled to a record high for the first three months of the year.*
>
> *New, more expensive models of the iPhone 12 have been a hit with customers, and revenue from Mac computers and iPads also rose during the quarter on strong demand from employees and students conducting their work at home.*
>
> *Apple's fiscal second-quarter results set new highs in what could be a record-setting year for profit and revenue. Analysts predict full-year profit will exceed $70 billion, nearly a third more than last year.*
>
> *Apple shares jumped 4% in after-hours trading Wednesday in New York.*
>
> *The Cupertino, Calif. company reported a profit of $23.6 billion in the latest quarter as revenue rose 54% to $89.6 billion, far exceeding Wall Street expectations. The company also announced a 7% increase to its cash dividend to 22 cents a share and that the board had authorized an increase of $90 billion to an existing share-repurchase program.*

> *“We feel very good, given the results we’ve had in the first half of our fiscal year,” Apple finance chief Luca Maestri said in an interview. “And clearly as economies start to reopen, particularly those economies where there are enough vaccines, obviously we think that should be a positive.”*

Marry Compound Interest, Divorce Market Timing

Update 2.22.2021: The Dow Jones Industrial Average Index closed at 31,494.32.

Originally posted August 3, 2018.

This week a long-time reader contacted me looking for some insight he could pass along to his children about the dangers of market timing. I’ve written on the topic many times over the years and wanted to share something he might find compelling. In April of 1996, I wrote about how three of Wall Street’s bright minds had completely failed while attempting to make market timing predictions about the future of the Dow Jones Industrial Index. Back then my advice was—as it is now—marry compound interest, divorce market timing. I wrote:

> *Market timing is a bankrupt strategy whose time has never come. The following three market predictions will alarm you. (Keep in mind, the Dow is now over 5500!) (1) On 24 February 1995, from the head of a major Wall Street investment management firm, “We won’t materially break 4000 until well into the next millennium.” (2) On the same date, from the head of institutional equities at a major brokerage firm, “Dow 5000*

is not going to happen in my lifetime." He's still alive as far as I know. (3) On 25 May 1995, from a well-known market cycles technician, "This high (Dow) represents a gift last-chance selling opportunity (Dow 4500) before the big bear growls at the Dow. We expect the largest decline in stock prices since 1990." Each of these forecasts was a disaster, of course, and cost followers of this advice a bundle in missed opportunity.

I have never in 32 years of investing suffered so much as one significant loss—not one. This is because I invest for the long term keyed to harnessing the awesome power of compound interest. The key to Warren Buffett's long-term success has been buying easy-to-understand companies with unmatchable franchises and holding for the long term to allow the miracle of compound interest to do its work. If you marry compound interest and divorce market timing, you will find prosperity beyond your wildest dreams. If I can help you in only one way in your personal investing, it is to first and foremost harness the awesome power of compound interest through low-turnover, low-cost, long-term investing.

By the end of 1996 the Dow was trading well above 6400 and has never fallen below 6000 again. The market timers' predictions were completely wrong. Building a strategy based on compound interest and regular streams of income in your portfolio was absolutely right.

Ken, I hope that helps, and thanks for all the years of loyalty. After over five decades I haven't changed my investing strategy, and I hope you won't either if you're investing along with me.

Now Is the Right Time to Make Dividends Your Ally

For over five decades, the underpinning of everything I have written has been a foundation of dividends. It has served me well, and if you have followed my advice, it has served you well too.

Shortly after the dotcom bust, I wrote a segment titled, “Make Dividends Your Ally.” In it, I said:

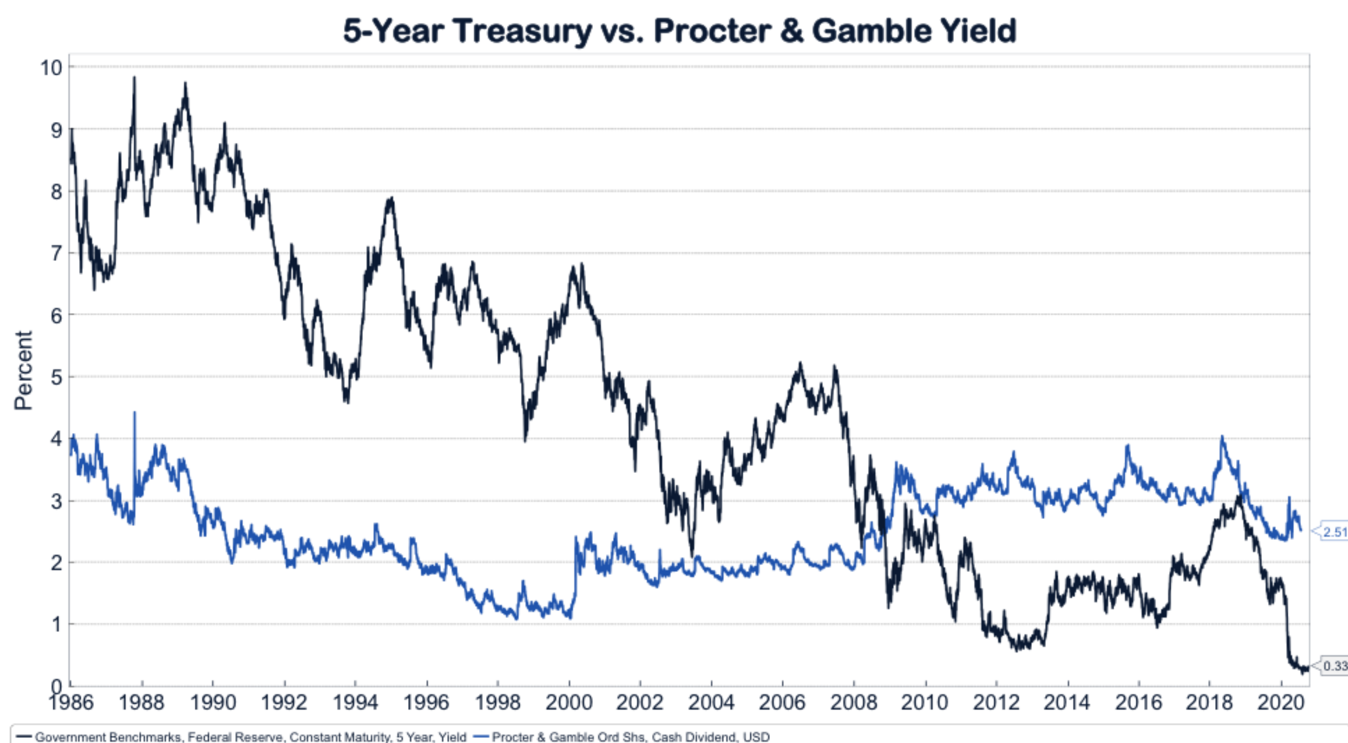
> *Regarding dividends, corporate directors have deluded themselves for many years in two ways. First, they have been too concerned about double taxation. Many investors don’t care about double taxation because they are (1) saving in tax-deferred accounts or (2) need the dividend income in retirement. Second, directors believe that management can reinvest earnings so well that it just does not make good sense to pay out much to shareholders in the form of dividends. Nonsense. The track record of reinvestment just isn’t that strong.*

Does that template apply to investors today? Yes. A number of today’s biggest companies don’t pay any dividends at all.

While many investors own equities paying no dividends, the Federal Reserve has lowered interest rates to near-zero levels, again. The 5-year treasury yield you see in the chart below illustrates the dire situation for America’s savers.

Alongside the treasury on the chart is the yield of Procter & Gamble shares. During the last 40 years, P&G has compounded its dividend, on average, 8.5%, and its stock price (not on the chart) by 10.5%. That’s the type of strong record retirees can build a portfolio around when they make dividends their ally.

Make dividends your ally today. For more on the benefits of dividend investing, download [Dividend Investing: A Primer] from [Richard C. Young & Co., Ltd].



An Alternative Approach to Investing when Markets are Down

In 2008, when investing seemed like an exercise in futility to many investors, I explained an alternative approach. This approach has worked for me now for over five decades. I learned this method from the teachings of Ben Graham, and have successfully employed it my entire career. Here's what I wrote:

> ***Concentrate on Shares, Not Price…***

The stocks and funds you own pay you dividends based on the number of shares you own, not on the price of those shares. Unless you are fortunate enough to be Gandalf redux, it is likely that the price of most of the shares you own in 2008 is down hard, to be kind. I sure know I'm in that boat. The number of shares I own, however, is not down. In fact, the dividends I will be paid in 2008 (despite Depression-era pricing) will be up. And if you have invested along with me, the number of shares you own and your flow of dividend cash will be up as well.

All Pay Interest—No Defaults

As for my fixed-income investments (advised for you monthly in these strategy reports), each (100%) continues to pay interest at just the level promised and on time. I own no defaulted issues, nor do you—if you have followed my advice to a T.

Invest for Dividends & Interest

I invest—as should you—to receive dividends and interest for compounding. I do not invest to sell my shares to someone else at a higher price, nor should you. If you invest to finance a comfortable retirement cash flow, your 100% concentration must be on dividends and interest, not on price action. My baseline advice for conservative, retired and soon-to-be retired baby boomers is 50% intermediate and short fixed income (investment-grade only), 45% dividend-paying blue-chip equities and/or funds, and 5% gold (NYSE-listed ETF GLD). I do not offer advice for non-conservative investors and those with a trading or speculative mentality.

Today investors around the world are again facing a struggle to preserve their lifelong accumulated wealth. A dividend-centric portfolio focused on income is still my preferred strategy for conservative, retired, or soon-to-be-retired investors.

In April, I explained that I see some dividend suspensions coming, but that the coronavirus-assisted drop in stock prices may be a great time to accumulate stable long-term dividend payers. I also explained my recent three-week-long investing program.

For those looking for a more in-depth view of some strategies my family-run investment counsel firm is using, I encourage you to read the latest client letter from my son Matt, President and CEO of Richard C. Young & Co., Ltd.

If you would like to receive an alert every time the new Richard C. Young & Co., Ltd. client letter is published, please click here to sign up. Delivery is free, even for non-clients.

Dividend “Suspensions” Not Dividend Cuts Coming Fast

Dick Young, Paris, France

The liberal electronic and print media will shortly be howling – with cartoon-size bold headlines – about dividend cuts.

We just began the second quarter of the year. Third-quarter earnings reports will, thanks to the lying Chinese, be breathtakingly ugly. And the media will be out in full force glomming on to disruption.

Words like *recession* and *depression* will fill the media channels. Greedy and grasping stockbrokers will be out, in full-scale hyena mode, yelling, "*sell, sell, sell*."

Serious, long-term, compound interest focused mavens will follow my lead by engaging in a quiet, month-long reallocation of assets.

Dick Young – a Compound Interest Maven

During the month of March, I positioned myself to accumulate assets others were eschewing or dumping en masse. Included on my watch list are stable long-term dividend payers temporarily placing their dividend payouts on holiday. Makes good sense to me. Business conditions are easily weak enough to make such a short-term stabilizing strategy a wise move.

Make it as good a day as you can.

Thanks to Donald Trump's foresight on the scourge that is China, the folly of open borders, the mathematical *naiveté* of free trade, and the "America Last" fraud of globalization, America will snap back like a catapulted Navy Super Hornet off a carrier deck.

You can count it.

U.S. Navy photo by Mass Communication Specialist Seaman Apprentice Ignacio D. Perez/Released) 130424-N-TC437-663

Can You Live Forever? How about Your Investment Portfolio?

A recent study performed by Australian scientists found that the human genome predicts the species' lifespan to be about 38 years. Modern scientific discoveries and improvements in the standard of living have increased that to about 72 years worldwide and much higher in some developed countries.

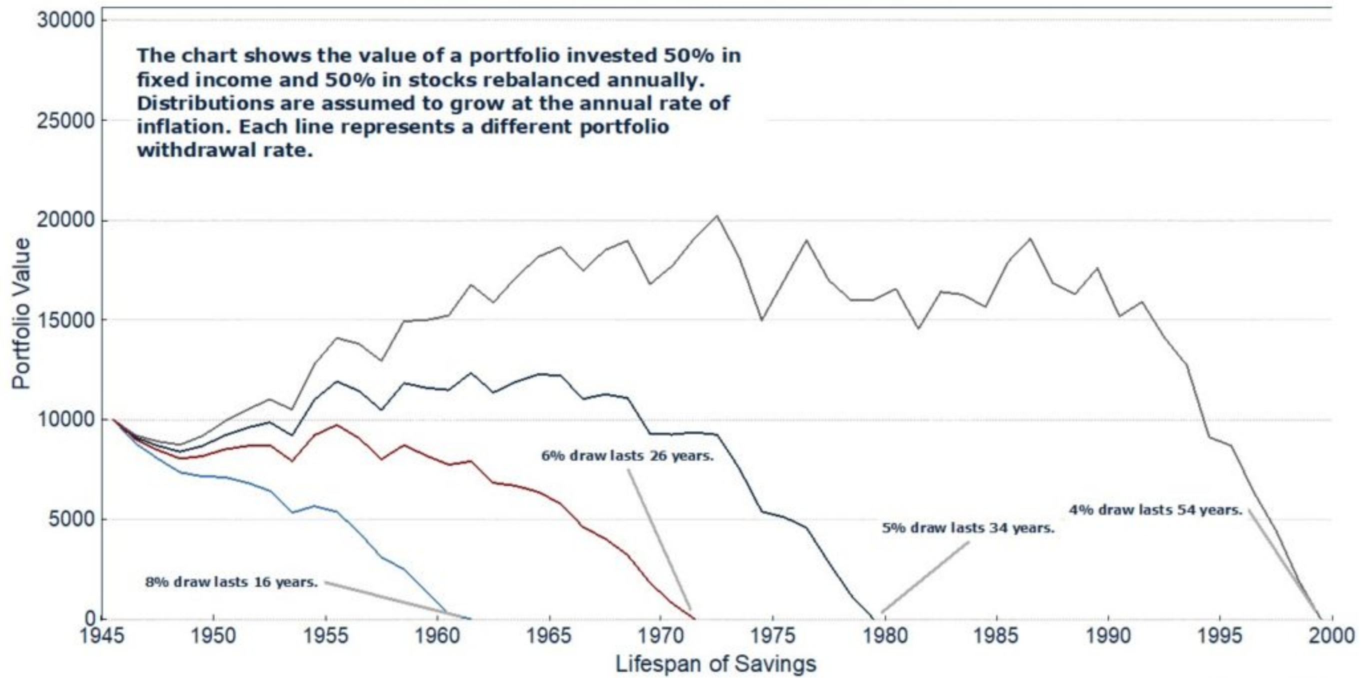
It should come as no surprise that the longer you live beyond the day you retire, the more you'll spend during retirement on maintaining your standard of living. How long can you do that? 20 years? 500 years? Here's how I explained the idea of living to 500, and how you can plan your investment portfolio for longevity.

Will You Live Forever? How About 500 Years?

> *In today's brand-driven media cycle, anything promoted with the imprimatur of a trendy company like Google gets a full airing and lots of exposure, no matter how offbeat. Recently, president of Google Ventures (the corporate investment capital arm of Google Inc.) Bill Maris told Bloomberg that he believes humans can live to be 500 years old. Maris is not what you would consider a typical Google employee. He's been trained in neuroscience, and helped develop Google's Calico project to address ageing. No surprise, Silicon Valley's young millionaires and billionaires want to live to enjoy their wealth for a very long time.*
>
> *Maris says he hopes to live long enough not to die. That's probably not going to be the case for most of today's retired or soon-to-be-retired investors. But that doesn't mean you can ignore the thought of outliving your money. There are a number of ways you can prevent portfolio ruin. The first and most obvious is to take a sharp pencil to your budget. For most of the last half-century, I have advocated a 4% draw on your retirement nest egg. Recently, I have advocated a lower draw (when possible) to minimize lasting damage from the Fed's complete destruction of yield over the last seven years.*
>
> *You can see on my Maximum Portfolio Withdrawal Rate chart below that an investor in 1946 with a 50/50 portfolio of*

stocks and bonds, rebalanced annually, would draw down his portfolio quite rapidly by taking 8% per year. Even drawing 7%, 6%, or 5% doesn’t inspire comfort, as each portfolio is depleted in less than 34 years. You may thinking that 34 years is plenty, but take a look at the timeline here. The bulk of this investor’s retirement took place in the ’50s and ’60s, when returns on a 50/50 portfolio were quite strong. In contrast, today’s bond yields are so low, you may not earn 4% on your savings, meaning you’ll have to save even more to live comfortably. Withdrawing 5% could force you to take up residence at the entrance to Wal-Mart greeting customers when you should be enjoying your golden years.

Another way you can protect yourself from drastic moves in the balance of your portfolio is to rely on its income to produce your 4% draw. Investing in companies with high dividend yields can help you achieve that income. Today, you face an investment climate where high dividend yields aren’t abundant. Take a look at the yield of the S&P 500 in my chart below. The average yield shown there (since 1945) is 3.4% for the index. Today, the index yield doesn’t even break 2%. Loose Federal Reserve policies going back to the 1990s have decimated yields by propping stock prices up into bubble territory. To mitigate the effects of low yields overall, you can prepare your portfolio for future income by selecting stocks of companies with policies that favor dividend increases year after year. If dividends increase 5% every year, after five years a stock with an initial yield of 2% will yield 2.6% on your initial dollar invested, and so on.



You can achieve a portfolio that keeps you and your family secure well into your retirement by focusing on buying the stocks of companies that will keep raising their dividends. That's one of the areas we focus on for clients at my family-run investment counsel firm, Richard C. Young & Co., Ltd. If you would like to learn more about the strategies we use, click here to sign up for our monthly client letter (it's free even for non-clients).

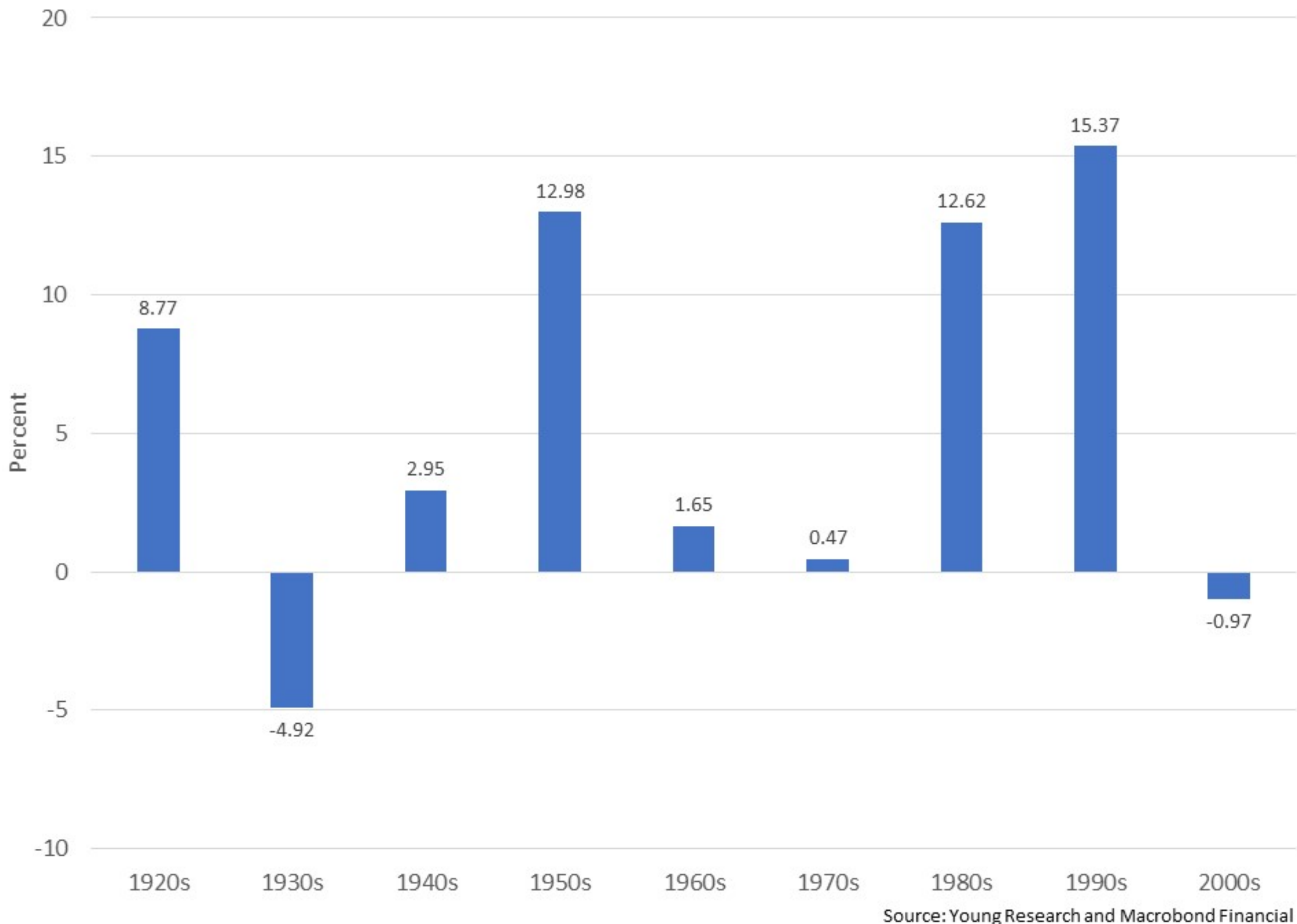
Here's How I Climbed on the Dividend Bandwagon

There are few histories as crucial to the course of my life as my awakening to the power of compound interest and the

importance of dividends. Since my decision to climb on the dividend bandwagon, I have been an evangelist to hundreds of thousands of paid subscribers, and many more investors beyond. My message has been consistent and clear, and I don't regret focusing on dividends a bit. Here's how it all started.

Back to Monterey and Woodstock

I've been developing investment strategies for investors like you before The Association kicked off the 1967 Monterey International Pop Festival with "Along Comes Mary" or Richie Havens opened Woodstock in August 1969. I started soon after John F. Kennedy was shot in Dallas in November 1963, and even before Dr. Martin Luther King, Jr. was shot at the Lorraine Motel in Memphis in April 1968. That's a long time ago. The '60s was of course a seminal decade in American history. Key events, including the difficult investment environment of the '60s, seem like yesterday.



My 1964 Beginning

I've put together a display that tracks the Dow Jones Industrial Average through the decades. When I entered the securities business in the summer of 1964 (with Ed Rosenberg, Clayton Securities), I had no way of knowing that during my complete career in the Boston investment community, which ended in 1981, the Dow would end lower than when I began. How would you have liked to have retired in 1964 and faced a 16-year Dow downer? Talk about retirement financial hell.

As my display indicates, the decade of the '60s provided a sad annual average return (ex-dividends) of only 1.65%. Moreover, the 1970s were set to be even worse. When the curtain came down on this miserable decade, investors had scored an average return of only 0.5% (before dividends). Thankfully for conservative investors today, as has been the case well before

the ‘60s and ‘70s, dividends remain the name of the game.

Ben Graham’s Powerful Investment Advice

With my first reading of Security Analysis by Ben Graham in 1963, I climbed on the dividend bandwagon. Today, it’s still my most powerful investment influence. Ben was Mr. Dividends. I became attached to the concept before I landed at Clayton Securities at 147 Milk St. in Boston’s financial district. As early as 1964, I knew I would concentrate on dividends throughout my investment career.

Unwavering Advice

Well, writing to you now, five decades later, from our outside kitchen/living space in the heart of Old Town, Key West, I can’t help but think how much water has gone under the bridge through the many decades. But if you have been with me over the years, you are keenly aware that it is indeed the combination of dividends, compound interest, perspective and patience that frames the message I deliver to you month after month. I do not change course. You can count on it.

Concentrate on Dividends

Go back to my display and note how kind the ‘80s and ‘90s, unlike the ‘60s and ‘70s, were to investors. So far, this decade (ending in 2019) is on a solid path. The problem is, no one really knows in advance what course the Dow will take in any given decade ahead. What investors do know with reasonable assuredness and peace of mind is that the prospects for dividends and dividend increases for stable, well-managed companies are good. (I pay scant attention to NASDAQ companies.) I concentrate on dividends for you and for me each month. We are in the same boat here. What is good for me is good for you and your family.

Whether or not you are on the dividend bandwagon yet, but you want to learn more about how a portfolio focused on compound interest can help you and your family save for retirement, fill out the form below.

You will be contacted by a seasoned member of the investment team at Richard C. Young & Co., Ltd., my family-run investment counsel firm. They’ll offer you a free portfolio review (no-obligation whatsoever). You’ll get a full picture of whether a portfolio focused on dividends and compounding can work for you.