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).

With This Plan You Can Save More in 8 Years than in 32 Without It

In October of 1999 I explained why there is only one right way to save; early and often. I wrote:

> ***Compound Interest: Your Key to Wealth***

> *Here's an example of the power of compound interest that I hope you will pass on to your children and grandchildren.*
>
> *We have two hypothetical investors, Chad and Tad. Chad starts right out of his MBA program investing $1,200 a year starting at age 25 through the time he is 32-years old. He makes eight $1,200 investments. Chad then oddly becomes a monk, ending his savings days. Assume just a modest 9% annual return through age 64, just pre Chad's 65-year age retirement from monkdom. Chad's eight years of savings ($9,600) and 40 years of compounded interest provide a final balance of $227,390.*
>
> *Tad, on the other hand, spends his early years as a ski bum in Telluride and doesn't start saving until he is 33. But from age 33 until age 65, Tad is able to save $1,200 a year from his job as wildlife conservationist in the remote reaches of Montana. He puts away $1,200 a year for 32 years, giving him a total savings of $38,400—four times the contributions Chad made in only eight years of savings before monkdom. Tad's balance at the same 9% assumed growth rate is $214,560. Even though Chad invested $1,200 a year for only eight years early in his "career," because of 40 years of compound interest, Chad's final savings total beat Tad's, who diligently socked away the same $1,200 a year, but for a long 32 years.*
>
> *Such is the power of compound interest. Save early. Save often. And do not compromise your capital. When you lose 50%, you must make 100% on your next investment just to get even. And at that, you have a zero return. That's stinko math in my book.*

So after just eight years of early saving, Chad used compounding to save himself more than Tad could in 32 years of trying to play catch up. Put the power of compounding to work in your portfolio. Investing in companies with generous dividends, and records of regularly increasing those dividends is a bedrock strategy of my family run investment counsel firm.

If you would like to discuss how a dividend-centric investment plan could work for your retirement, please fill out the form below. You will be contacted by a seasoned advisor from Richard C. Young & Co., Ltd. and given a free, no-obligation portfolio review.

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.

Write These Six Words Down

If you are looking for the best advice I can give anyone getting started in investing, you'll need to travel back to November 1989. At the time, I was debriefing on the Blanchard's NCMR New Orleans Investment Conference of that year, at which I had spoken. An attendee asked me a question, and my answer included the six most important words in investing. I wrote of the scene:

> ***THE MOST IMPORTANT WORDS IN INVESTING***
>
> *I've just returned from speaking at the biggest investment conference in the U.S. I now speak at only one national conference per year, and Blanchard's NCMR annual extravaganza is clearly the place to be. My "Double Your Money" seminars were packed with Intelligence Report subscribers, and I was delighted to personally meet so many of you. The seminar/workshop format is an excellent forum for in-depth strategy discussions and detailed answers to subscriber questions.*
>
> ***Most of Us Are Risk-Averse***

> *What questions were asked most often? Over three-quarters of the queries had to do with zero-coupon bond strategies, risk/reward, and interest rates in general. Indubitably the majority of conference attendees were risk averse and looking for ways to make money while sleeping well in the process.*
>
> *One woman from the Midwest asked me what I thought were, in just a few words, the most important guidelines in investing. My short reply: "full faith and credit," and "compound interest."*
>
> *Write those six words down and remember them when you set out to review your family financial plan.*

I urge you today, as I did then, to make compounding and fixed income the corner stones of your investment portfolio.

The Antidote to Inflation Poison

In my long investment career, nothing has worked harder against my success than the negative compounding effect of inflation. Every year inflation reduces the value of the money I have worked hard to save, and impedes my progress in reaching my investment goals. In March of 2010, I explained to readers the effects of inflation I had seen in my lifetime. I wrote:

> ***Nickels & Dimes***
>
> *You may have had a similar experience growing up to the one I'm about to tell you. The early 1950s was a great time to be a kid, even more so for me in Cleveland Heights, Ohio, with*

Paul Brown and Otto Graham leading the Browns.

Often on Saturday afternoon, my brother and I would walk to the movie theater from our house on Birch Tree Path to watch those old-time black-and-white cowboy Westerns featuring Johnny Mack Brown, Tim Holt, Bob Steele, and Ken Maynard. My mom would give us 30 cents each, just right for a Saturday matinee ticket (10 cents), popcorn (10 cents), and a Pepsi (5 cents).

The remaining 5 cents was for Topps baseball cards from the corner store near Noble Elementary. I still have my original collection of Topps baseball cards, albeit sans the colorful wax packaging and the sugardusted pink bubblegum slabs. Topps had just gotten going in the early ’50s and had largely replaced the much better, for my money, Bowman cards.

Savage Inflation

So that’s what 30 cents bought 57 years ago. Today at our super little Tropic Cinema in Old Town Key West, a matinee is $9, popcorn is $3, and Pepsi sells for $2. Baseball cards can run $2.50/pack. In the early ’50s, Pepsi ran a slogan that said, “Twice as much for a nickel, too/Pepsi-Cola is the drink for you.” Pepsi’s large bottles were around even back in the early ’50s. So let’s add it up. $3 + $9 + $2 + $2.50 = $16.50. Depending on where you live, your grand total will be somewhat different from mine. But let’s not quibble. Today we are all paying over 54-to-1 the cost of the early ’50s. That’s some savage inflation and dollar depreciation regardless of how you want to work the math.

To avoid the savage effects of inflation, I focus my equity investments on companies that not only pay out regular dividends, but also regularly increase those dividends. The steady collection and compounding of such shares can work as an antidote to the poisonous effects of inflation in your portfolio. Make sure you have a plan in place to build an inflation fighting portfolio today.

How the Rolling Stones Amassed a Fortune Where Others Have Failed

Last week Mick Jagger shared some video of his cardio workout routine. There he was dancing and moving to the music like only Mick can. Jagger was showing the world that, despite recent heart surgery, he is not slowing down. After years of hard touring and the excesses of the rock and roll lifestyle, Mick, Keith, and the rest of the Stones remain vital. During decades of near constant work, during which many of their contemporaries have failed, they have amassed fortunes. I described their investing process back in January of 2003. I wrote:

> *Geezers in Wheelchairs…*
>
> *This year is the 40th anniversary of the world's greatest rock & roll band—the Rolling Stones. Grizzled but game, the Stones truck on with their 15th North American tour. "Always precocious, the Stones at 60 look a lot like Segovia at 90: Keep the morgue on standby," wrote the very funny Joe Queenan in the WSJ. The Stones are big business, real big business. As Fortune noted in its recent cover story, "The Stones have made more money than U2, or Springsteen, or Michael Jackson…or the Who—or whoever." The topgrossing North American tour of all time was the Stones' 1994 Voodoo Lounge tour. With a gross of over $120 million, these guys know how to make money and how*

to keep it. Jagger went to the London School of Economics.

For me and perhaps for you, the really big news on the Stones is the recent hybrid (two layers) SACD release of the band's pre-1971 material owned by Allen Klein and his ABKCO Records (the Stones' longtime early label). Over the years, ABKCO has had many requests to reissue these titles using the latest digital remastering techniques. Until now, ABKCO did not feel that improvements in the mastering warranted reissue.

A New and Exciting Technology

So what has changed? A new and exciting technology has been introduced by Sony and Philips (inventors of the CD). The new discs have two layers. One is a normal CD. The other is a Super Audio CD (SACD). Both layers benefit from Direct Stream Digital (DSD) encoding, which captures every nuance of the original master tapes. You will hear the "'rawness' of the guitars, the vocal quality and the natural distortion of the band as it sounded in the studio." Best of all, you can hear it on any CD player you own today or on any SACD-compatible player. The Stones' CD to start with is Out of Our Heads with "Satisfaction," "Mercy, Mercy," "Hitch Hike," and "The Last Time" (ABKCO 94292).

Rock-Solid Investors

Not only are Mick Jagger and Keith Richards the band's two key writers, musicians, and performers, but they are also serious investors. In Fortune's great article, Keith, in his inimitable way, told Andy Serwer, "I have a small portfolio. I find things I love, like houses—bricks and mortar. Nothing wrong with a bit of land." A sound statement from a fellow few felt would live to invest in anything, never mind "a bit of land." In fact, as Fortune noted, the Stones' "Steel Wheels [tour] had to be insured—Lloyd's covered Stones tours—and before the insurer would issue a policy, the band had to take *physicals. Keith passed, legend has it, to his own astonishment."*

The Golden Loom

Over the last decade, Mick and Keith have made nearly $60 million in royalties on the over 200 songs they have written together. And these so-called performance rights will key Mick's and Keith's future wealth accumulation. Even as they sleep, their music plays on turntables, CD players and jukeboxes around the world, spinning an ever-building pile of golden performance royalties.

Compound Interest Key

As time passes, the combination of compound interest and sensible investing makes Mick and Keith wealthy beyond the dreams of most performing musicians who, in that they are not music writers, never benefit from the awesome power of performing rights and compound interest. Mick and Keith, along with running mates Ronnie Wood and Charlie Watts (now a crotchety 61 years old), have indeed approached the geezers-in-wheelchairs stage for most performers. But somehow the Stones defy time and roar forth at the top of their game as the world's greatest rock & roll band.

Cold, Hard Cash

You, of course, don't need to be in the financial league of Mick Jagger and Keith Richards to benefit from the awesome power of compound interest. You do, however, have to have something to compound. It is for this reason that I have been shifting names in the Monster Master List to only investments that pay you cold, hard cash today. I'm referring to either interest from fixed-income securities or dividends from common stocks.

If your portfolio isn't generating income, you should take some time to study the value of dividends and compounding. Visit www.younginvestments.com and download *Dividend Investing: A Primer* from the home page. Read the free whitepaper and put the power of compound interest to work for you today.

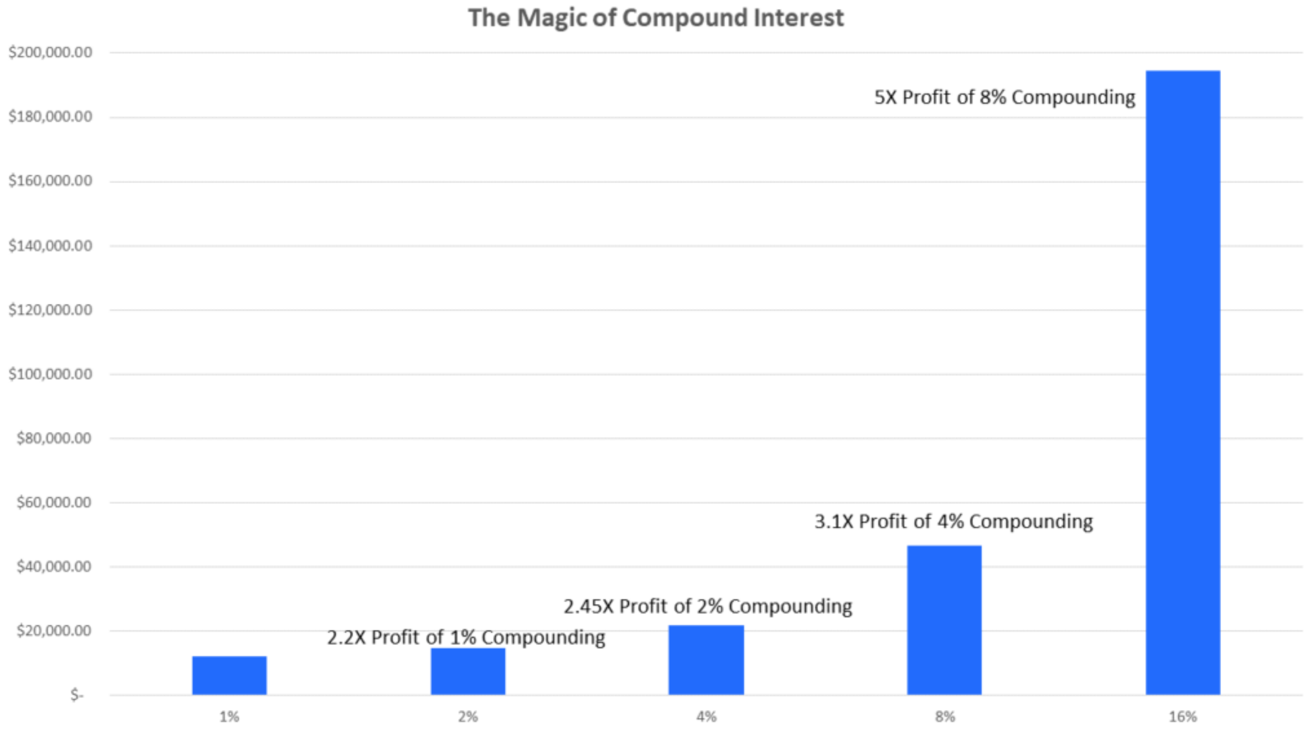
Avalanche! It Is Astonishing How Your Money will Pile Up

There is little as satisfying as the long-term gratification felt after planning ahead, saving, and reaping the rewards of your efforts. The best way to achieve that euphoria is to harness the power of compound interest by purchasing stocks and bonds that pay you a steady stream of income. Then put that income to use by compounding it, over and over again like an avalanche. In June of 2016 I encouraged investors to harness this "avalanche of return." I wrote:

> ***An Avalanche of Return***
>
> *The most important aspect of investing for the long term is—without a doubt—compound interest. The act of compounding your investment over time creates an avalanche of returns that turns a small initial investment into a cascade of cash payments your family can rely on during good times and bad. And there's no better time to get started than today. Like an avalanche, high initial dividends—once reinvested—will accelerate the profit generation of your portfolio.*
>
> *At www.youngresearch.com, we post regularly on the awesome power of compound interest. In our latest compound interest post, we illustrate for readers the exponential increase in*

profits that compounding can deliver to you. Here's an excerpt: "As each rate of return doubles, your profit more than doubles. When you compound at 2% for 20 years, your profit is 2.2X your profit when compounding at 1%. And when you compound at 8% for 20 years, you have more than 3X the profit that you do when you compound at 4%. Double your return again, which is admittedly unrealistic over a 20-year period, and your profit is 5X your profit when compounding for 20 years at 8%."

That logic doesn't only apply to dividends, but it illustrates well the benefits of higher yields. On the chart below, you can see the differences in profit as returns move from 2% to 4%, and from 4% to 8%. It is astonishing how your money will pile up when given time to compound.



Miss This Investing Concept to Your Everlasting Sorrow

Lack of patience, more than anything else, hamstrings investors in their pursuit of profits. I wrote in July 2004 that impatiently trading in and out of equities with no eye toward compound interest will bring investors everlasting sorrow.

> ***Compound Interest and You***
>
> *Here's a compound interest story that should help you and your spouse. Let's assume a hypothetical $10,000 investment with a 7% annual return for 20 years. Investor A draws the 7% ($700) each year for living expenses. At the end of 20 years, the original $10,000 in capital remains in place, and $14,000 in simple interest has been drawn for living expenses. The end value in capital and interest drawn is $24,000. Now let's assume hypothetical Investor B invests the same $10,000 at the same 7%, but draws nothing and simply let's the money compound for 20 years. Well, $10,000 compounded at 7% for 20 years has an end value of $38,696. You will see that $14,696 ($28,696 – $14,000) represents interest on interest. Over half of the long-term total return for Investor B reflects interest on interest. Unfortunately, compound interest is not a concept that is well understood by most investors.*
>
> *To their everlasting sorrow, most investors not only lack a basic knowledge of compound interest, but also lack patience and dividend/interest religion. Many are greedy, trade way too often, and are in debt. For the record, I have no debt. I buy for cash. I have never employed margin and tend to own the investments I make for a long, long time.*

Retired and soon to be retired investors should place their confidence in the unmatched power of compound interest.

In Wine and Investing, One Must Get the Big Picture Right

There are few subjects studied by so many, but still so little understood as investing and wine. Nearly everyone you meet has an opinion on both, but start getting specific and you realize the pool of knowledge isn't deep. You don't need to be an expert in either, but it helps to get the big picture right. In February of 2011 I wrote:

> *Medieval Monks*
>
> *Terroir (teh-RWAHR). Literally "terrain" in French. David Downie in Food Wine Burgundy explains that originally terroir was used to refer to the particular qualities that soil and climate bestow on wine. The French word climat designates a micro-environment, micro-climate, and micro-terroir. Climat can embrace a few rows of vines here, another few rows there, separated by another climat. Michael Broadbent, writing in the foreword of The Great Domaines of Burgundy, tells us that compared to Bordeaux, Burgundy is far more complex: Small vineyards with similar names are in the ownership of several individual producers. Medieval monks had a special facility for understanding the specific soil and climat of Burgundy. It is this knowledge that eventually would introduce the world-class pinot noir (red) and chardonnay (white) wines of Burgundy to the world.*
>
> ## *Get the Big Picture Right*
>
> *After spending some time researching the terroir of Burgundy and many of Burgundy's small vineyards, I can tell you that*

the subject matter is as complex as any I have endeavored to understand. Grapes planted in the most suitable soil under just the right weather conditions produce the classic French white Burgundy found, by example, in Puligny-Montrachet. Successful wine making is a top-down affair. Get the big picture right, and good things can happen.

Diversification & Dividends

It occurred to me on a number of occasions that, just as terroir dominates the study of Burgundy, the same terroir concept dominates my thinking on the stock market. In the proper monetary, economic, and political environment, most quality stocks will offer suitable returns, some, of course, better than others. A well-diversified group of dividend payers is certain to do just fine, as long as the financial terroir is hospitable. Many decades ago in Young's World Money Forecast, I concentrated only on terroir and did not write about individual securities at all. My target was the big picture, period. I felt that if I could get the big picture right for my clients and subscribers, they could deal with individual securities selection. I still devote the bulk of my time as it relates to the financial markets to the big picture. Get the big picture wrong, and your securities portfolio is likely to suffer mightily. Get the big picture right with the view that you will stick with dividend and interest-paying, blue-chip securities, and you most certainly will do well. A rising tide tends to lift all ships.

It is with this thinking that I manage my own personal affairs and formulate the global investment strategy for our family investment company.

If you are struggling to get the big picture, it may be time to seek assistance. My family run investment counsel firm, Richard C. Young & Co., Ltd. is dedicated to assisting conservative retired, and soon to be retired, investors and their families in developing a plan for the long-term. If you would like to talk to a seasoned investment professional about your portfolio, please fill out the form below. You will then receive a call for a consultation with absolutely no obligation.

The Dividend Plan

Panic selling during periods of market decline can be devastating to your long-term investment success. In 1987 many investors were frightened out of the market and missed out, not only on the rebound in shares in the following years, but on all the dividends they could have used to buy more shares at depressed prices. I reminded readers of that in February of 2009 when the Great Recession was at its bleakest. Here's what I wrote:

> ### *The 1987 Debacle*
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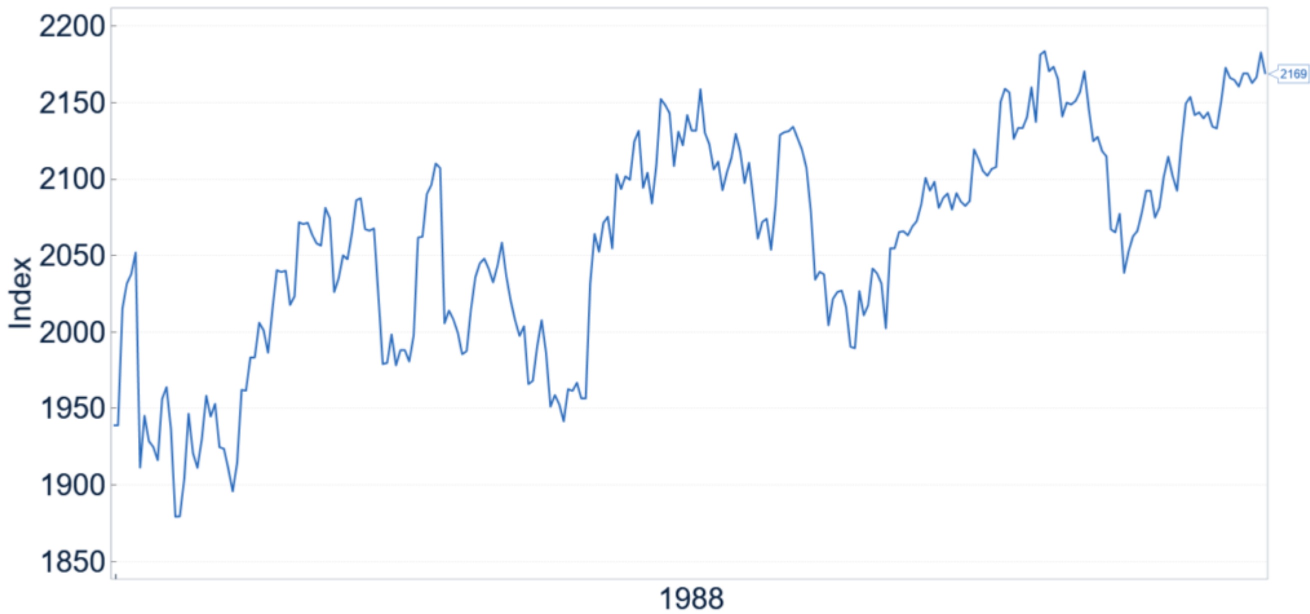
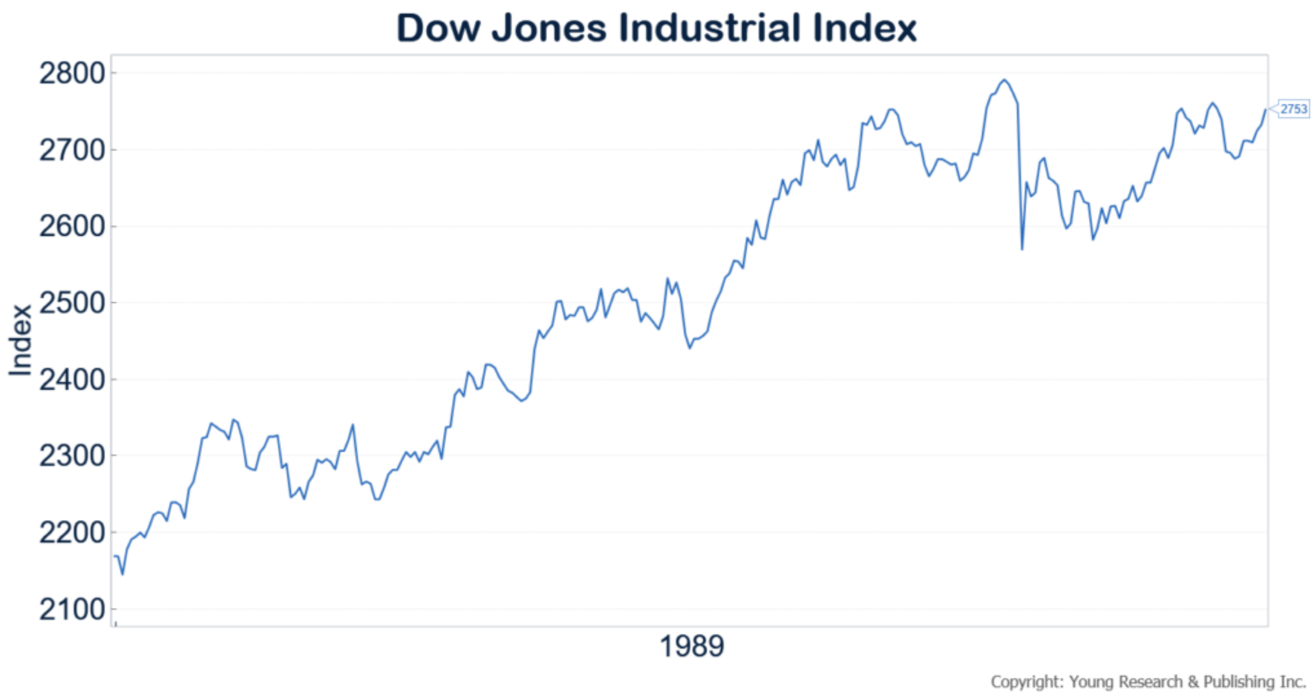
> *I remember the crash of September/October 1987 like it was yesterday. Virtually overnight, the Dow collapsed to about 1700 from 2700. Terrified investors fled the stock market, just as they did in 2008. Well, the next two years were gangbusters and, by fall 1989, the Dow was once again back above 2700. My three charts (below) give you a bird's-eye view of each of the three historic years in American stock market history.*

Dow Jones Industrial Index

Dow Jones Industrial Index





Dividends Paid Based on Shares

Recently, I've been driving home the point that what really counts is the shares you own and the dividends you are paid, not the point-in-time value of your shares. Companies pay your dividends based on the number of shares you own, not on the value of those shares on any given day. Picture it this way: You are sitting at your walnut desk with a stack of beautifully engraved stock certificates in front of you. The certificates are embossed with the number of shares each certificate represents. From your bright, sunny window you clearly can see your mailman as he drops off a pile of envelopes that you know from long experience includes your regular dividends (in many instances higher than in previous quarters). You are comforted by sorting through your stack of engraved certificates and excited to once again begin opening your companies' envelopes, each providing you with a dividend check. It's a pleasant scenario to be certain, as dividends are your financial lifeblood.

A Collector of Dividends

Look around you! No one has taken away any of your treasured certificates. And no one has altered the number of shares embossed on each of the finely engraved certificates. Furthermore, not one of your companies has failed to send along your dividend check as promised. Nor has your mailman failed to deliver your checks to your mailbox. You do not spend a moment wondering at what price you could sell your certificates to someone else, because, as a collector of dividends, you have no earthly reason to sell. This is certainly so if you have crafted from the start a quality list of 32 discerning blue-chip, dividend-paying companies.

Mystical-Like Compounding

Astute investors invest to accumulate wealth over the long term through dividends, dividend increases, and the mystical-like compounding of dividends. This is compared to flighty speculators who have the misguided goal of selling shares to someone else at a higher price.

Make a plan, focus it on dividends, and stick to it.