Get Rich Slow with This Strategy

Most “get rich quick” schemes end up turning into “get poor quick” schemes. Reach too deep into the risk pool and you’re likely to fall in. I knew that 30 years ago, and in 1988 I wrote:

> *I’m an ultra-conservative investor at heart…and by intent. I know my reputation in the industry puts me in the most cautious camp possible, and that’s just swell with me. My motto has always been, “Get rich slowly with compound interest.”*
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> *At even a 7% rate of return, money doubles in about ten years. In IRA, Keogh and other retirement accounts, over half of total return should come from dividends and growth of dividends.*
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> *Dividends are the foundation for any serious investment portfolio. I’ve told you many times that over the 50-year period, end 1986, the Dow Jones Industrial Average compounded at 4.8%. Dividends on average provide a yield of 4.5%. And then there is the 4.6% long-term dividend growth rate that combines with current yield to make dividends the focus consideration in any investment-grade portfolio. Look for a yield that is higher than the yield for the average Dow stock (currently 3.6%); look for dividend growth better than the Dow’s historical 4.6%; and look for a price earnings ratio (P/E) that is below the Dow P/E (currently 14.2x). If you make it your point to select stocks that meet these three initial tests, you will be well on your way to assembling a portfolio with excellent prospects for long-term total return. Don’t be overly anxious about capital appreciation. Let appreciation take care of itself. You want to lock in a relatively high*

yield and good dividend growth prospects.

The Dow yields have changed today, and buybacks are a bigger part of the investment picture than they were in those days, but the principle remains the same: get rich slowly with compounding.