You Must Defend Your Wealth with a Tactical Battle Plan

There's nothing more important to your investment success than protecting your principal. Capital gains will come and go, but losing the money you worked hard to earn is like taking a direct hit from a Scud missile. You need to build a tactical battle plan to kill the enemy—in this case, risk—and to win. Here's the battle plan I laid out for readers shortly after Operation Desert Storm, and I remain committed to it today.

> *You'll Be The Big Winner!*
>
> *General Norman Schwarzkopf built the allied forces military victory in the Middle East on diversity. Schwarzkopf did not go into battle single-handed. Given the mental make-up of Saddam Hussein, the American general had no idea what might be launched at him. So he skillfully deployed a wide array of weapons—from the A-10 Warthog and Apache helicopter to the Patriot Missile to the M-2 Bradley fighting vehicle and the M-1 battle tank and the F-15 Eagle fighter bomber—and victory was achieved. Fortified with his arsenal of blue-chip weapons, Schwarzkopf, the master tactician, was prepared for any type of adversity.*
>
> *<u>YOU NEED A TACTICAL BATTLE PLAN</u>*
>
> *Your tactical battle plan for investment success should be patterned after Schwarzkopf's strategy in the Middle East. Plan well to meet any challenge with an arsenal of investor weapons, and in the end (which is where it really counts) you'll be the big winner. Of course, you won't need in your arsenal any A-10 Warthogs armed with 30-caliber Gatling guns. You won't be going after enemy tanks buried up to their gun turrets in the sand. You won't need an A-10 Warthog's massive*

nose-mounted gun hammering nearly 4,000 rounds a minute and making, as The Wall Street Journal's John Fialka noted, a sound "like a gigantic zipper as it atomizes its targets." No, you won't need quite the same weapons. What you will need is a carefully crafted investment arsenal assembled to carry you through all types of investment market conditions.

To protect your principal, you want to fight risk wherever you find it dug in. The arsenal you need to do that is an internationally diversified stock portfolio focused on dividend-paying stocks like my Retirement Compounders® program, and a bond portfolio filled with bonds backed by the full faith and credit of the United States Treasury, as well as investment-grade corporate bonds picked just for you. You'll want the air support of a precious metals component to act as an insurance plan for any surprises that happen in your investment war.

If you want to learn more about how these tools are used while managing portfolios at my family-run investment counsel firm, click here to sign up for our monthly client letter (free even for non-clients).

One More Reason You Shouldn't Invest in China

The coronavirus is just one more reason you should avoid direct investment in China. Symptoms of a bigger problem are the decisions of the Chinese government to:

1. restrict information on the spread of the virus,
2. deflect blame onto others, and to

3. silence early attempts to alert the public to the problem.

In 2012, I explained China's bigger problem to readers, and why you should avoid the Middle Kingdom as an investment destination:

> ## *China*
>
> *I have long advised against direct investment in China. Among the many reasons I am bearish on China is the country's vastly distorted economy. China is a command style economy run by an unelected political party—the Communist Party of China (CPC). The CPC's policies have resulted in a grand misallocation of capital. A mercantilist currency policy, perverse incentives for provincial government officials, and crude monetary policy tools have helped inflate a fixed asset and real estate bubble that puts the U.S. real estate bubble to shame.*
>
> ## *A Quality Problem*
>
> *It should be obvious to most that things are not as they seem in China. China has reported GDP growth of 9% or more in every quarter over the last two years, but the Shanghai Composite Stock Index has plunged more than 30% during that time. If China's economy were truly booming, Chinese shares would most likely be trending up. China suffers not from a quantity of economic growth problem, but a quality growth problem. China's GDP statistics are being propped up by unproductive fixed asset investment. The real estate sector is the most obvious example. To prop up GDP growth rates the Chinese are building entire cities, but they are virtually empty.*
>
> *It is perplexing that the world has allowed a command style economy run by an unelected political party to become such an important player in the global economy. China is now the world's second largest economy and America's second-largest*

trading partner. If China heads into the tank, the world economy will suffer.

No Profit Motive

China doesn't play by the same rules or have the same motives as the world's other large economies. China has consistently manipulated its currency to gain export market share and it has subsidized favored industries through its financial system to the detriment of non-Chinese companies. Take the rare earths industry as an example. China now has an effective monopoly on rare earths production. Not because of the country's low labor costs or a lack of reserves in other countries, but because Chinese rare earths companies were provided with subsidized loans. Rare earths companies ramped up production in the '80s and '90s and drove prices down to unprofitable levels. The Chinese government was more interested in maintaining stability through high employment then, as they are today. Low prices pushed rare earths producers in the U.S., Australia, and elsewhere out of business. With the support of subsidized loans, China's rare earths companies were the only companies able to remain in business at such low prices. Now the U.S. relies on China (at least temporarily) for a supply of metals vital to the defense industry and other high-technology industries. Sound like a smart strategy to you?

Chinese Hacking

There is also mounting evidence that China has been hacking into the networks of U.S. companies and organizations. The Wall Street Journal reported recently that a group of hackers (read: the Chinese government) hacked into the U.S. Chamber of Commerce's computer network. The Journal reports that the hackers may have had access to the Chamber's network for more than a year before the breach was discovered. The full extent

> *of the damage from the hacking incident will be difficult to determine, but it is possible the Chamber's network was used to send booby-trapped emails to Chamber members (large U.S. companies) to gain access to their computer networks with the likely intention of stealing trade secrets. According to the U.S. counterintelligence chief, the Chinese are "the world's most active and persistent perpetrators of economic espionage."*
>
> *So then, China unfairly manipulates its currency to gain export market share, it subsidizes favored industries driving companies in America and other countries out of business, and it illegally hacks into U.S. company computer networks. Sound like a country that should be our #2 trading partner? How about a country you want to invest in? I continue to avoid Chinese shares and advise the same for you.*

China's command economy and the fear its leaders have of losing power are at the heart of the three problems I laid out for you at the beginning of this post. That's not a way to run one of the world's largest economies.

Despite my aversion to investing in China, I encourage you to invest internationally. My Retirement Compounders® investment program invests in many foreign companies with stellar records of paying and increasing dividends each year.

If you'd like to learn more about the value of investing in foreign companies for dividends, read *Dividend Investing: A Primer* from my family-run investment counsel firm, Richard C. Young & Co. Ltd. In the report, you'll discover how many developed countries' stock markets have higher average yields than that of the United States. The number is probably more than you'd think.

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.*
>
> *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.

The Simple, Elegant Power of the Retirement Compounders

Long time readers have surely heard about my Retirement Compounders® portfolio. I don't publicize the securities included in this strategy anymore, but it is still an integral part of my family run investment counsel's planning toolkit.

Here's what I wrote about the simple elegance of the Retirement Compounders® strategy in December of 2010:

> *Durability, Ease of Use, and Reliability*
>
> *I t was minus 5 centigrade on December first, my 72nd birthday, as we departed Kabul, Afghanistan to be joined by Special Forces ODA 594 in the 2001 hunt for bin Laden. My personal gear included one AK-47 and seven magazines of 7.62 ammo. It would be my final combat mission. So recalls Sergeant Major Billy Waugh in Hunting the Jackal. Delta Force Commander Dalton Fury in Kill Bin Laden refers to Billy (a CIA contractor) as His Majesty Sir Billy Waugh. Russian Mikhail Kalashnikov developed the AK-47 that Billy relied on in the mid-forties. To this day, it is the most popular assault rifle in the world. I have fired one and can see how the durability, ease of use, and reliability of a Kalashnikov would be such a winner for America's most admired and certainly most senior Special Forces/CIA operator.*
>
> *The Retirement Compounders Model*
>
> *Ease of use, durability, and reliability, so vital in a basic firearm, have broad applicability for someone like me who specializes in the keep-it-simple school of thought. The Kalashnikov has been used worldwide for over six decades. The durable, easy to use, and reliable formula I advise for you on common stocks has been my working model for nearly five decades. It also has been the basis for Young Research's specific Retirement Compounders model portfolio since 2003.*
>
> *Simple Can Be Elegant*
>
> *My Retirement Compounders model has been in place for nearly eight years. This eight-year period has been hell for*

investors, as each of us knows all too well. Throughout the carnage, we have not deviated one iota from our reliable dividend approach. Perhaps this is the reason our family-run investment management company has such appeal for seasoned, discerning, conservative investors. Simple can be elegant, as I have found over many decades of doing the same thing year after year.

Find a simple, elegant plan for your own investing. Avoid complex strategies that place too much emphasis on timing and prediction. Remember that any plan worth pursuing should be durable, easy to use, and reliable.

When You Get OLD, Things Have to Be RIGHT

It all started for Chuck Berry on 21 May 1955 with Chuck's simple three-chord—Bb, Eb7, F7 (played in A by many guitarists for ease)—recording of Maybellene, an adaption of "Ida Red," with Jerome Green on maracas, Johnnie Johnson on piano, Jasper Thomas on drums, and the legendary Willie Dixon on bass. By the end of June 1956, "Roll Over Beethoven" ran to #29 on the Billboard charts. Berry would go on to produce hit after hit, including "School Days," "Rock and Roll Music," "Sweet Little Sixteen," and "Johnny B. Goode."

Berry, the Real King of Rock & Roll, died in March of 2017, leaving a musical legacy that will be hard for anyone to rival. Back in October of 1985, I wrote about one opportunity I had to enjoy Berry in concert. While waiting for the show, Berry treated the audience to some valuable advice. I wrote then:

Recently, I took my teenaged children to the Warwick (RI) musical theater to see a concert given by rock and roll legend, Chuck Berry.

Prior to the start of the concert Berry made some last minute changes with his amplifier and speaker alignment. After making the desired changes, Berry opened his show by telling his audience with a grin "When you get OLD, things have to be RIGHT."

His opening line brought down the house! The next day I couldn't help but remember Berry's one liner and think that his statement applied directly to investments as well as music.

I have just finished reading a Sports Illustrated account by Douglas S. Looney headed "Thrown for Some Big Losses." Looney outlined the financial plight of Dallas Cowboy great, Tony Dorsett.

Questionable business deals and investments have brought Dorsett to the edge of bankruptcy. The IRS has garnished his Cowboy paycheck and placed liens on two Dallas area houses to satisfy $414,247.91 owed in back taxes. $520,000 had been blown in a "speculative oil and gas deal that went pffft." And the list went on and on. Here was a man with a supposed $1,127,000 contract in 1977 and a new $2,725,000 contract cash poor!

SI writer, Looney, printed Dorsett's old Pitt coach's Johnny Majors, view on the debacle. Majors said, "The shame of all this is that Tony could have put all his money in 9% savings and never had to work another day in his life. I'm just guessing he got the wrong advice.

Tony Dorsett's problems are all too common. Too many investors simply fail to use good common sense. When dealing with your

> *financial future (whether young or old), things as Chuck Berry said, have to be RIGHT.*

If your retirement isn't on solid ground, you should seek assistance in managing your portfolio. Signing up for the monthly client letter alert (free even for non-clients) from Richard C. Young & Co., Ltd. will show you how one of *Barron's Top 100* investment advisors (2012-2019) Disclosure manages money for retired and soon to be retired clients. You should demand the same level of service for your own investments.

Risk Analysis for Consistent, Positive, Prudent Returns

Through the years, I have been relentless in my efforts to alert investors of the dangers of taking on too much risk. It may seem redundant, but investor minds have been proven to be easily distracted, especially when it comes to matters of prudence. In August 2014 I explained my policy of risk avoidance, writing:

> *One of the most important investment steps you can take is to look at the big picture—that is, get high above street level so you can actually see the parade. Big risks are always big ideas, loaded with complexity and controversy. In most cases, the media is geared to work against you, and it's difficult to break through and get at the truth. To frame risk parameters, I use inference reading—what I call outcome analysis—and on-the-ground anecdotal evidence. Whether you are currently in retirement or saving for a secure retirement within the next decade or so, retirement investing leads directly to risk analysis. I exert minimal effort worrying about what I am*

> *going to make on my investments. I concentrate on interest, dividends, portfolio balance, diversification, and compound interest. I know what I am being paid up front. And I know that a well-diversified portfolio of equities, fixed income, precious metals, and foreign currencies has historically provided consistent, positive, prudent returns.*

The Historical Primacy of Dividends

In July 2011 I wrote:

> *On page 480 of 1962's Security Analysis by Graham, Dodd, and Cottle, I underlined the above header. Since that time, I must have worn out a thousand red pens underlining books, but rarely are they investment books. I have never required another book on investing. I have since read a handful of other books on investing that I have found somewhat useful, but it has been a couple of decades since the last one. And I have no need to add to the list. Successful investing is to me more an art than a science. And intuition plays a big part. Since I graduated from Babson College with a BS in investments in 1963, I have relied on the wisdom outlined in the paragraph headed "Historical Primacy of Dividends." In chapter 35, the authors explain, "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."

Dividends are still the ultimate way to value common stocks. You have no control over the ups-and-downs of stock prices, but every quarter when you receive a dividend payment, that's a real return. And when you put those cash payments to work on compounding, it only gets better.

At Richard C. Young & Co., Ltd., we craft custom portfolios of dividend paying stocks for our clients. Each portfolio is filled with stocks that not only pay regular dividends, but which also have a history of increasing those dividends.

If you would like to learn more about the Retirement Compounders Portfolio strategy, sign up for the Richard C. Young & Co., Ltd. monthly client letter (free, even for non-clients). There my son Matt, President and CEO of the family run investment counsel, spends time each month explaining our strategy, including the historical primacy of dividends.

How Does Your Retirement Portfolio Look?

How does your retirement portfolio look?

- Do you actually have any idea what you are doing? Do you feel like you are over your head and investing with a crap-shoot mentality?
- Are you subsisting on outmoded, far-too-big mutual funds or, worse yet, those ghastly oversized index funds?
- Are you a total neophyte on bond investing and pretty much devoid of understanding the miracle of interest, patience,

and compounding?

If your answer is yes to any of these questions, you may require a whole new battle plan to strengthen your investment strategy.

Since 1978 Young Research has developed strategies for conservatives like you.

My son Matt Young, CEO of our family investment counseling firm, writes our monthly client letter to level the playing field for concerned conservatives.

After four decades of writing my monthly subscription-based strategy reports, I have retired. Now, I concentrate 100% on international research that supports the efforts of Matt and his senior leadership team at our family investment counseling business. My research is a fundamental component of Matt's monthly client letters.

Why not stay in touch with Matt and me monthly. If you are not yet signed up, simply add your name to our inquiry register below.

My family looks forward to welcoming you and your family to a whole new world of compounding, consistency, and comfort.

Warm regards,

Dick

Here’s the Investing Advice I’d Give a Professional Athlete

This is the advice I gave professional athletes and my readers twelve years ago about how to make your retirement dollars last a lifetime. I wrote:

> *I advise you regularly to invest only for dividends or interest. I want you to insist on getting paid, as I do. If you want to speculate with a portion of your capital, that’s fine, but do not mess with your primary stash of cash. When you retire, your earning years are over. Kaput. You earn no more. Therefore, every dollar you have the day you retire must be treated with the deepest reverence. Treat each dollar as you would a family member. Would you wave good-bye for good to even an extended family member? Well, I guess there might be one or two exceptions, but on balance you would not. The same goes for each one of your retirement dollars. When you spend your money, it can no longer work for you for the rest of your life. Were I advising professional sports athletes with their huge initial contracts, my first advice would be to invest every upfront bonus dollar in 90-day U.S. T-bills and roll over the T-bills until such time that a suitable conservative, professional registered investment advisor had been selected. I would advise these athletes to not spend one dime of that bonus. No new Cadillac Escalade. Every bonus dollar from day #1 would be sequestered so as to earn dividends or interest for a lifetime. A sports career passes in a flash. And no offense here, but who attended class in college?*

If you need help managing your money to avoid risk, sign up for the Richard C. Young & Co., Ltd. client letter (free even for non-clients) by clicking here. Each month my son Matt writes the letter for clients of our family run investment counsel firm. Matt is the President and CEO and has been named one of *Barron's* Top 100 Investment Advisors for each of the past seven years (2012-2018). Disclosure In the monthly letter, Matt explains the decisions we make for clients' portfolios, and how they fit into a broader strategy for risk management. Enjoy!

Richard C. Young & Co., Ltd named to Barron's Top 100 Independent Advisors for Seventh Consecutive Year

I am pleased to announce that for the seventh consecutive year our boutique conservative investment counsel firm has been named in *Barron's* Top Independent Advisors list (2012-2018). Disclosure Our firm's inclusion is notable because the nature of the investment advisory business is changing and not for the better. Private equity firms, breakaway brokers, and others more focused on gathering client assets than providing high value investment counsel are now a dominant force in the advisory business.

The *Barron's* list is unfortunately becoming institutionalized. There is now a separate firm list for the likes of Edelman Financial, Creative Planning (dropped this year for potential regulatory infractions), and United Capital Financial Advisers.

With tens of thousands of clients and hundreds of advisors, there is nothing boutique about these firms. Acquisitions and asset gathering are the order of the day. These firms are becoming mini-versions of Vanguard or Schwab call centers, but with store fronts. Few do proper investment research and analysis. And the fees of some are far from client friendly. Charging 1.50% out of the gates for an index-based ETF portfolio and some basic financial planning as some “advisors” do may be worse than the 2 and 20 model of hedge funds. At least the hedge funds are working for the fees their clients are paying.

Richard C. Young & Co., Ltd. has always been a boutique investment counsel firm and it will remain that way whether that means staying on the *Barron’s* list or getting knocked off by this new breed of acquisition hungry advisors. Our clients financial well-being has always been our number one priority and it will always remain that way.