

The Surest Way to Win in Equities

When it comes to your investments, you must develop a plan that is more than just reliance on rising stock prices. Share prices can remain depressed for agonizingly long periods of time. A decade or more of no return with a regular retirement draw, can quickly decimate a life-time worth of savings. Regular dividend payments offer a refreshing stream of income to help you navigate long dry spells in the stock market. If you haven't yet been convinced of the power of dividends, read what I wrote back in April of 1992 below:

Dividends Are Key to Your Stock Investing Success

Now what about individual stocks? Here, again, what you don't do can be the key to your success. Don't succumb to sales pressure. Don't buy new issues (IPOs). Don't buy secondaries. Don't buy junk. When you are pressured to speculate and trade, resist.

Remember what I've so often told you—that the surest way to win in equities over time is by concentrating on dividends. Over many cycles, the Dow has provided a 9% total return (no commissions or taxes here) including capital appreciation and dividend yield. Dividend yield has accounted for a full 50% of total return. If you can choose between a stock with a 5% yield and one with a 0% yield, it's clear that one of these selections gets you out of the starting blocks with a decided advantage.

The Dow Fell for 16 Years

If you still are not convinced of the value of my dividend approach, take careful note of the following: In 1965 the Dow closed the year at 969.26. In 1981, 16 years later, the Dow

closed at 875.00. The Dow lost 10% over a period that for most Americans equates to half a working lifetime or all of a retirement. Without dividends, the game was over.

Invest based on what you do know rather than on what you are guessing about the future. None of us knows what the future holds. I can give you guidelines, and I can help you construct a portfolio that will absolutely make you a winner regardless of what happens, but I cannot tell you what the headlines will be in tomorrow's newspaper. Bet on the cards you hold, not on drawing to an inside straight.