DIVIDEND GROWTH MACHINE

How to Build a Worry-Free Retirement with Dividend Stocks

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I don't want that fate for you. By adopting the Dividend Growth Investing mindset, I think you can significantly improve on the returns most of your friends, family, and neighbors will get on their balanced mutual funds.

Dividend Growth Investing: The Boring, Predictable Path to Wealth

The strategy I will outline in this book is not the most exciting. There are no complicated math formulas to follow. In fact, anyone that got beyond junior high school has already conquered the complexity needed to follow it. There are no revolutionary stock-picking techniques here. It's not a "get rich quick" method. You won't see any TV ads about it.

You don't need a Ph.D. in finance or a fancy MBA from Harvard. In fact, those things might get in your way. After all, Wall Street tends to take simple things and make them complicated.

That means Jim and Sally have to keep taking more and more out of their account each year to keep up with rising costs. Jim and Sally are earning $20,000 per year in interest. Unfortunately, this income stays constant. Their portfolio may be producing $20,000 per year, but they end up taking more each year as their expenses grow.

While their spending goes up, their income does not. To make up for it, Jim and Sally have to start selling chunks of their bonds to pay their bills. The next chart shows what happens.
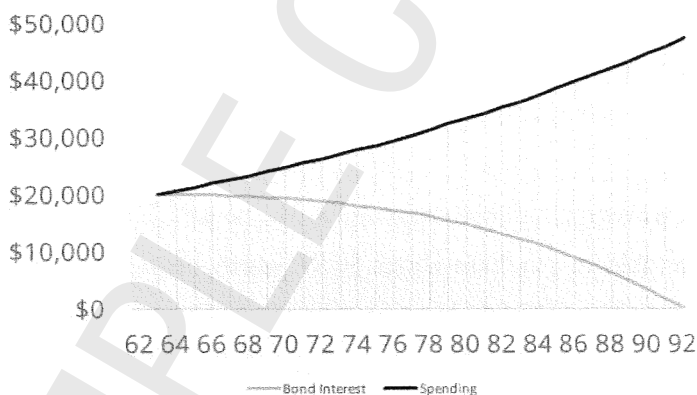
Their expenses (black line) increase faster than the bond interest produced (gray line).

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THE PERFECT
RETIREMENT STRATEGY

"Do you know the only thing that gives me pleasure? It's to see my dividends come in." –John D. Rockefeller

So far, we've seen how different investment strategies fall short in one way or another. Let's imagine for a moment that we could design the perfect investment. What would it look like?

The perfect investment strategy should do five things:

1. It should grow our wealth reliably over long periods of time (15+ years).
2. It should minimize the volatility of our portfolio so we can sleep well at night.
3. It should generate reliable income to pay our bills.

PART TWO

THE POWER OF

DIVIDENDS

In the second part of the book, we'll get into the mechanics of dividend investing.

Chapter 4 will be an introduction to the basics of dividend investing. We'll follow Johnny and his business — Johnny's Lemonade Stand — from a new company to an established dividend payer. We'll see the two ways investors make money in stocks — by dividends and capital gains. And we'll explore some basic valuation techniques. If you are an experienced investor — please feel free to skip this part!

In Chapter 5, we'll see how Dividend Growth — not Dividend Yield — is the engine that powers the Dividend Growth Investing strategy. Coca-Cola (KO) will be our real-life example of dividend growth in action.

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YOUR SECRET WEAPON: DIVIDEND REINVESTMENT

"A stock dividend is something tangible — it's not an earnings projection; it's something solid, in hand. A stock dividend is a true return on the investment. Everything else is hope and speculation." –Richard Russell

It should be evident by now how appealing dividend growth investing is for retired people. They need their investments to produce income for them. And that income needs to grow over time to keep pace with inflation. Dividends are the perfect way to do that.