A Winning Strategy When Stocks Decline

March 14, 2019

If you invest in great businesses (DRIPs) that pay and raise their dividends each, and every year for at least 25-years, you can take advantage of the principles of "compound interest," which Einstein believed was "the eighth wonder of the world." Here's why.

By purchasing DRIPs, even one-time, for $10,000 yielding 5% at the time of purchase; and, the DRIPs raise their annual dividend payments by 10% every year for 30-years, you'd have $5,428,527 from your original investment of $10,000. The dividend payments in the 31st year would be $4,305,661. By the end of the first quarter of the 32nd year, you'd have over $10,000,000 without regard to any increase in the share price.

Now granted, 30-years may seem like a long time. But, consider if you start investing in the right DRIPs when you are 20 years old; by the time you reach 50, you just might have created your own annuity of DRIPs paying you over $4-million per year, which will keep rising each, and every year thereafter.

These **Dividend Champions**, DRIPs that have paid and raised their dividends for 25-years and longer, **have continued to pay and raise their dividends during recessions, depressions, wars, and stock market declines**. As a result, DRIP investors benefit significantly when the stock market declines because the dividends purchase more shares at less cost, plus, the dividend yields rise making it much more profitable to invest new money in these great businesses. **For most people, this is a difficult concept to understand.** It goes against everything Wall Street and the financial planning community write and talk about… why… because if you buy DRIPs, the financial planning community does not make any money from you!

Let’s try to make this a little easier. As of February 28, 2019, there were 133 Dividend Champions, which averaged 39.4 years of paying and raising dividends; that would bring us back to 1980. Since 1980, there were four periods of major stock market declines: (1) November 1980-to-August 1982, the S&P 500 lost 27.8% over 22-months; (2) August 1987-to-December 1987, the S&P 500 lost 33.5%; (3) March 2000-to-October 2002, the S&P 500 lost 49.1% over a 30-month period; and, (4) October 2007-to-March 2009, the S&P 500 lost 56.4%.

Had you invested in Dividend Champions before November 1980, your stock value may have declined by 27.8%, the amount of your quarterly and annual dividend payments would have stayed the same and continued to increase each year regardless of the change in the stock price. Let’s say your dividend yield was 3% when you purchased your DRIPs; if the DRIPs declined in value by almost 28%, the yield would have increased from 3% to almost 4.2%. So, the dividends reinvested would be purchasing more shares with a yield of almost 4.2% rather than the original yield of 3%.

During market declines, you not only reinvest your dividends to get higher yields, it is highly beneficial to invest more new capital during periods of stock market declines at greater yields that approach and exceed 5%. Remember the miracles of compound interest that are created over time!

Many of the DRIPs we recommend have paid and raised their dividends for much longer than 25-to-39.4 years. To name just a few: Coca-Cola (KO) 57-years; McDonald’s (MCD) 43-years; Wal-Mart (WMT) 46-years; 3M (MMM) 61-years; Target (TGT) 51-years; Kimberly-Clark (KMB) 47-years; Johnson & Johnson (JNJ) 56-years.

Any person, at any age, can do this on their own. Don’t let Wall Street delay or ruin your dreams; and please, stop paying for your Financial Planner’s vacations and private schools for their children!

You have the secret of financial success at your fingertips! For $4.99 you can purchase a copy of *Unlock the 4-Doors to Financial Independence*, available from Amazon.com, which will guide you on your way to financial freedom.

Dum Spiro, spero—While I breathe, I hope.

Slainte mhath,

Robert G. Beard Jr., C.P.A., C.G.M.A., J.D., LL.M.