Turn $10,000 into $10-Million Even in a Volatile Stock Market

January 14, 2019

It has been reported that Albert Einstein was asked to name the greatest invention in human history and he replied, “compound interest.” Einstein stated, “compound interest is the eighth wonder of the world.” “He who understands it, earns it, he who doesn’t, pays it.”

The only practical way to put Einstein’s theory of compound interest to work is by investing in certain Great Businesses (DRIPs) that have a history of paying and annually raising their dividend payments every year through wars, depressions, recessions, and market declines.

If you purchase DRIPs for $10,000 yielding 5% and the DRIPs raise their annual dividend payments by 10% every year, your $10,000 would grow to $5,428,527 after 30-years, with dividend payments in the 31st year of $4,305,661. By the end of the first quarter of the 32nd year, your original investment would grow to over $10-million, without regard to any increases in the share price.

If we began teaching this in elementary school and encourage our children and grandchildren to invest small amounts of their allowances and monetary gifts in DRIPs; and, 10%-to-30% of their gross earnings throughout their careers, they would easily be financially independent by age 50, probably much earlier. After all, most of us should be able to live off annual dividends of over $1-million, which continue to increase every year.

In today’s market, it is extremely difficult to find a 5% or greater yield; 3% is more realistic. With this 3% yield, you can find DRIPs that have paid and raised their annual dividends, on average, by 8%-to-10% and more every year.

Stock market declines are highly beneficial to DRIP Investors taking advantage of Einstein’s theory of compound interest. First, when the market declines, you purchase more shares with your dividends at a higher yield, closer to and greater than 5%. And second, you are able to invest additional capital in new DRIPs that have declined in value, resulting in dividend yields closer to and greater than 5%.

With respect to the 38 DRIP stocks that we follow, 21 currently have yields of 3% or greater, which we believe are good values. You must start investing now; time is more important than waiting for the ideal yield of 5%. Besides, several stock market declines, while you are reinvesting your dividends, will make up for the lower yield of 3%.

That said, we are still hoping for a major stock market decline resulting in all of our 38 DRIP stocks yielding 5% or greater!

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.