

**THE
STOCK
MARKET
&
DIVIDEND
INVESTING**

Dividend Funds

Kings, Aristocrats, stocks, ETF's & REIT's

- 1) **Understanding Dividend Stocks, Things to Demand from Dividend Stocks & World Dominating Dividend Stocks.**
- 2) **How do ETF Dividends work, Five Popular Dividend Paying ETF's, Eight Reasons to love Monthly Dividends.**
- 3) **How to Invest in Dividend Aristocrats, 31 Dividend Kings & The Five Best Dividend Kings.**
- 4) **Living off Dividends in Retirement, Building a Dividend Portfolio for Income, 12 Stock Dividend weekly Portfolio, Five of the Safest Dividend Stocks.**
- 5) **Eight Rules of Dividend Investing, Five High Monthly Dividend ETF's, Ten Monthly Dividend Stocks to Buy,**

STOCK MARKET

Understanding Dividend Stocks

Things to Demand from Dividend Stocks

World Dominating Dividend Stocks

DIVIDEND INVESTING

Understanding Dividend Stocks

and what to look for - is key for new investors

One of the more common questions among those new to investing is, “What are dividend stocks?” Obviously, the short answer to “what is a dividend stock?” is that it is a stock that pays a dividend.

What Are Dividend Stocks? A dividend is a distribution from a company to its shareholders. On publicly traded markets, distributions usually are made quarterly — but not always. Some companies pay annually. A few, pay monthly dividends. Companies also can offer “special” dividends, one-time payments that often are accompanied by a major event.

It’s important to remember that dividend payments are not like interest payments on a savings account. This is a common mistake investors make. Dividend payments are not fixed. The board of directors decides when, how much, and how often to pay a dividend.

That can be good news — or bad news. The good news is that dividend payments can rise over time. Income investors generally target companies with a history of steady, annual increases. So-called “Dividend Aristocrats” who have raised their dividends every year for at least 25 years. But the bad news is that dividends can be cut — or even eliminated. If profits start declining, or a company has too much debt, it simply may not be able to continue distributing cash to shareholders.

Higher Yield Is Better, Right? Investors looking for income — like those in retirement — often are attracted to dividend stocks. They pay more income than bank accounts (at least at the moment) and offer upside as well.

And those investors quite often consider what is known as the “dividend yield.” The yield is calculated as the annual total of the dividend, divided by the current share price. If ABC pays \$1 per quarter in dividends (a total of \$4 per year) and costs \$100, it has a yield of 4%. ($\$4/\100 .)

Intuitively, it would seem that a higher yield would be better. After all, getting 6% or 7% is better than 2% or 3%, right? But that is not always the case, for two reasons.

First, a dividend payment in theory lowers the value of the business by an equal amount. When ABC pays that \$1 per share to shareholders owning the company’s 10 million shares, the next day it has \$10 million less in its corporate bank account.

Secondly, a high dividend yield often suggests that either the dividend won’t grow — or that it may be cut. In both cases, investors face a double whammy. Not only can the dividends be eliminated — but the stocks value can also drop on the news.

That’s not to say that all high-yield stocks are bad — or dangerous. **But what is most important to remember about dividend stocks is that they’re stocks first and dividend payers second. For the steadiest payers, yields of 2.0-3.5% are most common.** The most important consideration in dividend stocks isn’t any different than for a stock that doesn’t pay a dividend: Investors need to do their due diligence. They need to understand the business. Risks have to be evaluated. Price and expectations need to be understood.

Dividend stocks are useful for income. Reinvesting those dividends through so-called “DRIP Plans” can amplify gains over time.

And dividend stocks usually — though, again, not always — are more mature, and lower-risk stocks. **So stay with the Dividend Aristocrats and play it safe.**

Things to Demand From A Dividend Stock

There are always four things I always want to see from any dividend stock; if not, it won't even get a second look.

The Four Things I Demand From Any Dividend Stock

Dividend Trend: The first thing I always look for in a dividend investment is the company's ability to increase their dividend payments. So, when I assess a stock's **Dividend Trend**, I look at the last four quarters of payments to see if they are growing, unchanged or decreasing. If a company has to cut its payout, that's generally a bad sign – not just for the yield, but for the stock itself, too.

Dividend Reliability: The second is **Dividend Reliability**. Has the company been paying for years without missing? Or has it had some gaps during times of trouble? Consistent payments is a great sign, and this plays a big role in whether you should buy, sell or hold the stock.

Forward Dividend Growth: The third is **Forward Dividend Growth**. This factor requires some homework on my part...looking at growth estimates for the company and for its dividend. Inflation is very real, and you certainly don't want a dividend stock that can't offer increasing payouts over time.

Earnings Yield: Lastly the fourth is **Earnings Yield**. Essentially, I gauge the company's earnings quality; if it scores highly, this can signal future dividend increases, or at least a strong ability to pay dividends. If it scores poorly, the opposite is true.

WORLD-DOMINATING DIVIDED STOCKS

By Dan Ferris

Finding Cheap World-Dominating Stocks

I'm going to let you in on a technique the world's greatest investors use to safely make 20%-plus returns for decades.

If you understand this simple idea, you'll know how to spot and buy stocks that do well in any market, at prices that'll help you make and keep a lot of money.

All you have to do is answer one question: What is a world-dominating company really worth? I found the answer. The market has made it very clear to anyone who cares to look.

A world-dominating business is generally the largest, most powerful company in its industry – like Wal-Mart, the largest retailer, or ExxonMobil, the largest oil company.

Most world dominators can raise prices to stay ahead of inflation, like Coca-Cola or Procter & Gamble. Or, like Wal-Mart and Exxon, they can use their enormous size to keep costs lower than everyone else in the industry.

Raising prices or being the lowest-cost provider means these world dominators tend to crush the competition. So they often generate enormous amounts of cash. This free cash flow is the money left over after paying all the bills, taxes, and interest payments.

Using three corporate buyouts of world-dominating businesses over the last few years, I've arrived at a general ballpark valuation. Different world dominators will certainly be worth less, some more. But this benchmark is a highly useful tool, one that can give you a clear competitive advantage in the market for big, consistent returns on stocks. Take a look...

In 2008, the Mars Company offered William Wrigley & Co a price that was also right around 30 times trailing free cash flow. Wrigley is the world's biggest maker and seller of chewing gum, and one of the most well-known brands on Earth: a true world dominator.

A few months after the Wrigley deal was announced, InBev offered to buy Anheuser-Busch. Anheuser's U.S. market share is around 47%, nearly half the U.S. beer market. It owns popular brand names like Budweiser, Michelob, Bass, Beck's, Kirin, Rolling Rock, and Lowenbrau.

Guess how much In Bev's \$70-a-share offer for Anheuser turned out to be... 28.4 times free cash flow. A bit shy of 30 times, but close enough.

The valuation of stocks isn't a science. It's an art built on numbers. So the general ballpark of 30 times trailing free cash flow is as close as we need to get.

Why 30 times free cash flow? Why such a high price?

The answer is simple. These businesses aren't likely to look very different a decade or two from now, because they dominate their markets. And though they're very large businesses, the chances are excellent they'll deliver enough growth to make the seemingly exorbitant price of 30 times free cash flow worth paying. If you can pay just 15-20 times free cash flow for these businesses, you're setting yourself up for years of incredible returns.

You should avoid just about every stock on the market today. But not the world dominators. These are the greatest businesses in the world, the stocks Warren Buffett buys and holds forever. Buffett owned Gillette when Procter & Gamble bought it, and now he owns Procter & Gamble. He owned Anheuser when In Bev bought it, and he became a minority equity holder in the Wrigley deal.

Buying a world dominator "on sale" will give you ultimate confidence that you're going to make a profit. It takes out much of the uncertainty about your financial future. And it eliminates the guesswork most investors rely upon to pick stocks.

PUT WORLD DOMINATORS IN YOUR INVESTMENTS....

STOCK MARKET

How Do ETF Dividends Works

Five Popular Dividend Paying ETF's

Eight Reasons to Love Monthly Dividends

DIVIDEND INVESTING

How Do ETF Dividends Work?

Although exchange-traded funds (ETFs) are primarily associated with index-tracking and growth investing, there are many that offer income by owning dividend-paying stocks. When they do, they collect the regular dividend payments and then distribute them to the ETF shareholders. These dividends can be distributed in two ways, at the discretion of the fund's management: cash paid to the investors or reinvestments into the ETFs' underlying investments.

The Timing of ETF Dividend Payments

Similar to an individual company's stock, an ETF sets an ex-dividend date, a record date, and a payment date. These dates determine who receives the dividend and when the dividend gets paid. The timing of these dividend payments are on a different schedule than those of the underlying stocks and vary depending on the ETF.

For example, the ex-dividend date for the popular SPDR S&P 500 ETF (SPY) is the third Friday of the final month of a fiscal quarter (March, June, September, and December). If that day happens to not be a business day, then the ex-dividend date falls on the prior business day. The record date comes two days prior to the ex-dividend date. At the end of each quarter, the SPDR S&P 500 ETF distributes the dividends.

Each ETF sets the timing for its dividend dates. These dates are listed in the fund's prospectus, which is publicly available to all investors. Just as like any company's shares, the price of an ETF often rises before the ex-dividend date—reflecting a flurry of buying activity—and falls afterward, as investors who own the fund before the ex-dividend date receive the dividend, and those buying afterward do not.

Dividends Paid in Cash

The SPDR S&P 500 ETF pays out dividends in cash. According to the fund's prospectus, the SPDR S&P 500 ETF puts all dividends it receives from its underlying stock holdings into a non-interest-bearing account until it comes time to make a payout. At the end of the fiscal quarter, when dividends are due to be paid, the SPDR S&P 500 ETF pulls the dividends from the non-interest-bearing account and distributes them proportionally to the investors.

Some other ETFs may temporarily reinvest the dividends from the underlying stocks into the holdings of the fund until it comes time to make a cash dividend payment. Naturally, this creates a small amount of leverage in the fund, which can slightly improve its performance during bull markets and slightly harm its performance during bear markets.

Dividends Reinvested

ETF managers also may have the option of reinvesting their investors' dividends into the ETF rather than distributing them as cash. The payout to the shareholders can also be accomplished through reinvestment in the ETF's underlying index on their behalf. Essentially it comes out to the same: If an ETF shareholder receives a 2% dividend reinvestment from an ETF, he may turn and sell those shares if he'd rather have the cash.

Sometimes these reinvestments can be seen as a benefit, as it does not cost the investor a trade fee to purchase the additional shares through the dividend reinvestment. However, each shareholder's annual dividends are taxable in the year they are received, even if they are received via dividend reinvestment.

Taxes on Dividends in ETFs

ETFs are often viewed as a favorable alternative to mutual funds in terms of their ability to control the amount and timing of income tax to the investor. However, this is primarily due to how and when the taxable capital gains are captured in ETFs. It is important to understand that owning dividend-producing ETFs does not defer the income tax created by the dividends paid by an ETF during a tax year. The dividends that an ETF pays are taxable to the investor in essentially the same way as the dividends paid by a mutual fund are.

Five Popular Dividend-Paying ETFs.

SPDR S&P Dividend ETF (SDY)

The SPDR S&P Dividend ETF (SDY) is the most extreme and exclusive of the dividend ETFs. It tracks the S&P High-Yield Dividend Aristocrats Index, which only includes those companies from the S&P Composite 1500 with at least 20 consecutive years of increasing dividends. Due to the long history of reliably paying these dividends, these companies are often considered to be less risky for investors seeking total return.

Vanguard Dividend Appreciation ETF (VIG)

The Vanguard Dividend Appreciation ETF (VIG) tracks the NASDAQ U.S. Dividend Achievers Select Index, a market capitalization-weighted grouping of companies that have increased dividends for a minimum of 10 consecutive years. Its assets are invested domestically, and the portfolio includes many legendary rich-paying companies, such as Microsoft Corp. (MSFT) and Johnson & Johnson (JNJ)

iShares Select Dividend ETF (DVY)

The iShares Select Dividend ETF (DVY) is the largest ETF to track a dividend-weighted index. Similar to VIG, this ETF is completely domestic, but it focuses on smaller companies. Roughly one-third of the 100 stocks in DVY's portfolio belongs to utility companies. Other major sectors represented include financials, cyclical, non-cyclical, and industrial stocks.

iShares Core High Dividend ETF (HDV)

BlackRock's iShares Core High Dividend ETF (HDV) is younger and uses a smaller portfolio than the company's other notable high-yield option, DVY. This ETF tracks a Morningstar -constructed index of 75 U.S. stocks that are screened by dividend sustainability and earnings potential, which are two hallmarks of the Benjamin Graham and Warren Buffett school of fundamental analysis. In fact, Morningstar's sustainability ratings are driven by Buffett's concept of an "economic moat," around which a business insulates itself from rivals.

Vanguard High Dividend Yield ETF (VYM)

The Vanguard High Dividend Yield ETF (VYM) is characteristically low-cost and simple, similar to most other Vanguard offerings. It tracks the FTSE High Dividend Yield Index effectively and demonstrates outstanding tradability for all investor demographics. One particular quirk of the weighting method for VYM is its focus on future dividend forecasts (most high-dividend funds select stocks based on dividend history instead). This gives VYM a stronger technology tilt than most of its competitors.

Other Income-Oriented ETFs

In addition to these five funds, there are dividend-focused ETFs that employ different strategies to increase dividend yield. ETFs such as the iShares S&P U.S. Preferred Stock Index Fund (PFF) track a basket of preferred stocks from U.S. companies. The dividend yields on preferred stock ETFs should be substantially more than those of traditional common stock ETFs because preferred stocks behave more like bonds than equities and do not benefit from the appreciation of the company's stock price in the same manner.

Real estate investment trust ETFs such as the Vanguard REIT ETF (VNQ) track publicly traded equity real estate investment trusts (REITs). Due to the nature of REITs, the dividend yields tend to be higher than those of common stock ETFs.

There are also international equity ETFs, such as the Wisdom Tree Emerging Markets Equity Income Fund (DEM) or the First Trust DJ Global Dividend Index Fund (FGD), which track higher-than-normal dividend-paying companies domiciled outside of the United States.

The Bottom Line

Although ETFs are often known for tracking broad indexes, such as the S & P 500 or the Russell 2000, there are also many ETFs available that focus on dividend-paying stocks. Historically, dividends have accounted for somewhere near 40% of the total returns of the stock market, and a strong dividend payout history is one of the oldest and surest signs of corporate profitability.

8 Reasons to Love Monthly Div. ETFs

Dividend-paying exchange-traded funds (ETFs) have been growing in popularity, especially among investors looking for high yields and more stability from their portfolios. As with stocks and many mutual funds, most ETFs pay their dividends quarterly—once every three months. However, ETFs that offer monthly dividend returns are also available.

Monthly dividends can be more convenient for managing cash flows and helps in budgeting with a predictable income stream. Further, these products give greater total returns, if the monthly dividends are reinvested.

Range of Choices and Risks

Luckily, there are a plethora of monthly dividend ETF funds offered by the major firms, including State Street Global Advisors, Vanguard Group, and BlackRock, Inc. However, there are also smaller firms such as the Global X Funds that have increased their presence in the ETF arena. These investment products have become nearly household names and include the popular Spider SPDR and iShares products.

Before any investor falls too head-over-heels in love with these products, they must do their due diligence and review the ETF for its expenses and risk. While getting dividend income every month may sound appealing, the investor must offset the expenses of the holding against its benefits.

Fund managers sometimes offer high double-digit yields that they cannot sustain in order to attract investors who would otherwise ignore them. It is important to pay attention to expense ratios, as well. Remember, the less money that goes into a manager's pocket the better. Some funds may return their high income through the use of leverage which may not suit the risk tolerance of all investors. (For related reading, see: [Is Dividend Investing a Good Strategy?](#))

Global X Super Dividend ETF (SDIV)

- **Net Assets as of 3/27/20:** \$510 million
- **Total Expense Ratio:** 0.59%
- **Yield (12 mo.):** 17.29%
- **Price as of 3/27/20:** \$9.44

This fund tracks an index of 100 equally weighted companies that rank among the highest-dividend payers around the world—a strategy that has earned it kudos in the financial press. The fund includes common stocks, real estate investment trusts (REITs), and master limited partnerships (MLPs) that must combine top returns with lower-than-average volatility to be included in the index. The fund has made monthly dividend distributions for more than eight years. Some of the main holdings of the fund are:

- Diversified Gas & Oil PLC
- B&G Foods Inc
- Sinopec Shang-H
- Kumba Iron Ore Ltd

Global X Super Dividend U.S. ETF (DIV)

- **Net Assets as of 3/27/20:** \$344 million
- **Total Expense Ratio:** 0.46%
- **Yield (12 mo.):** 15.12%
- **Price as of 3/27/20:** \$13.04

- Established in 2013, this fund focuses on a basket of low-volatility, high-yielding securities. The objective is to track the performance of 50 equally weighted common stocks, MLPs, and REITs within the U.S.

Securities listed in the index are among the highest-yielding in the United States, and they have lower relative volatility than the market. It pairs very nicely with SDVI for investors who want a truly global grip on high-yielding equities. Holdings in the fund include:

- B&G Foods Inc
- General Mills Inc
- Verizon Communications
- Kraft Heinz

Invesco S&P 500 High Dividend Low Volatility ETF (SPHD)

- **Net Assets as of 3/27/20:** \$2.4 billion
- **Total Expense Ratio:** 0.30%
- **Yield (12 mo.):** 6.10%
- **Price as of 3/27/20:** \$30.79

This fund looks for stocks that pay high dividends and offer low volatility. It invests 90% of its assets in the common stocks of companies listed in the S&P 500 Low Volatility High Dividend Index. The fund is concentrated in real estate and utilities. Holdings include:

- Iron Mountain Inc
- Altria Group Inc
- Gilead Sciences Inc
- AT&T Inc

WisdomTree U.S. High Dividend Fund (DHS)

- **Net Assets as of 3/27/20:** \$676 million
- **Total Expense Ratio:** 0.38%
- **10-year Average Annual Return:** 11.18%
- **Price as of 3/27/20:** \$55.87

This fund mimics the WisdomTree High Dividend Index, a fundamentally weighted index that features companies ranked by dividend yield with average daily trading volumes of at least \$200 million.

The fund's holdings are well diversified among sectors such as real estate, health care, utilities, IT, and consumer staples. Top holdings include:

- Verizon Communications Inc
- Pfizer Inc
- AT&T Inc
- *The Coca-Cola Company*

Invesco Preferred ETF Fund (PGX)

- **Net Assets as of 3/27/20:** \$5 billion
- **Total Expense Ratio:** 0.52%

- **Yield (12 mo.):** 5.98%
- **Price as of 3/27/20:** \$13.28

This is another preferred stock ETF that delivers on yield. PGX's objective is to replicate the performance and yield of the ICE BofAML Core Plus Fixed Rate Preferred Securities Index. Its portfolio holds more than 200 preferred stocks with a heavy weighting towards the financial sector. The bulk of investments are in BBB rated holdings. Some of the investments include

- Citigroup Inc
- JPMorgan Chase & Co
- Wells Fargo & Co
- Bank of America Corp

Invesco KBW High Dividend Yield Financial ETF (KBWD)

- **Net Assets as of 3/27/20:** \$167 million
- **Total Expense Ratio:** 1.58%
- **Yield (12 mo.):** 15.88%
- **Price as of 3/27/20:** \$12.57

Based on one of the prestigious Keefe, Bruyette & Woods NASDAQ indexes, this fund's large dividend yield is pretty tempting. KBWD is heavily weighted (at least 90%) towards publicly held financial companies, which should perform better in a rising interest rate environment. The fund, however, has an extremely high expense ratio of 1.58%. Holdings include:

- Orchid Island Capital Inc
- Newtek Business Services Corp
- AGNC Investment Corp
- Dynex Capital Inc

iShares Preferred and Income Securities ETF (PFF)

- **Net Assets as of 3/27/20:** \$13.9 billion
- **Total Expense Ratio:** 0.46%
- **Yield (12 mo.):** 5.52%
- **Price as of 3/27/20:** \$31.47

The iShares Preferred and Income Securities ETF (PFF) is a viable alternative for investors seeking high yields. PFF seeks to mirror the performance and yield of the S&P U.S. Preferred Stock Index. The portfolio is well-diversified, with no security weighted more than 2.14%. However, it does tend to favor banks, diversified financials, and utilities. Some of the main holdings include:

- Broadcom Inc
- Wells Fargo & Co
- Bank of America Corp
- Becton Dickinson & Co

SPDR Dow Jones Industrial Average ETF Trust (DIA)

- **Net Assets as of 3/26/20:** \$18.5 million
- **Total Expense Ratio:** 0.16%

- **10-year Average Annual Return:** 11.44%
- **Price as of 3/26/20:** \$225.45

This fund does not offer the highest yield, but investors who prefer some capital appreciation potential with their income might find its portfolio attractive. Launched in January 1998 (making it one of the oldest ETFs still standing), the fund is one of the few to directly play the Dow Jones Industrial Average (DJIA)—itself the grandpa of stock indexes, composed of 30 of the bluest blue chip companies. It's holdings include:

- Apple Inc
- UnitedHealth Group Inc
- Home Depot Inc
- Boeing Co

The Bottom Line:

High-dividend ETFs offer a cheap, easy way to add an extra stream of income to the portfolios of retirees and new investors alike. As always, it is important to do your due diligence on any fund before committing your hard-earned cash.

STOCK MARKET

How to Invest In Dividend Aristocrats

Thirty One Dividend Kings

The Five Best Dividend Kings

DIVIDEND INVESTING

How to Invest in Dividend Aristocrats

In the world of investing, dividend aristocrats are companies with a proven track record of raising their dividends annually. Because of this consistent performance, many investors consider them the finest equity income investments you can make.

What Are Dividend Aristocrats?

Dividend aristocrats are public companies that have consistently raised dividends every year over the long term. There are several listings of dividend aristocrats, but the best known one is the **S&P 500 Dividend Aristocrats Index**. Companies on this dividend aristocrats list: Have increased their **dividend payouts** every year for at least 25 consecutive years. Feature a market capitalization of at least \$3 billion. Saw average daily trading value of at least \$5 million for the three months before the last rebalancing and are included in the S&P 500 stock index.

S&P Dow Jones Indices compiles the annual list of qualifying dividend aristocrat companies, based on information for the prior year, and it rebalances the percentage each company occupies on the list quarterly. S&P Dow Jones Indices published the most recent dividend aristocrat list on January 1, 2020.

To maintain its status as a dividend aristocrat, a company must raise its dividend payment at least once during the year. New companies are added to the list as they reach the 25-year threshold. Once a company falls off the list by skipping a dividend increase, though, it must wait another 25 years to get back on the list.

How to Invest in Dividend Aristocrats

You can invest in dividend aristocrats on most traditional and online brokerages. You generally have to buy full shares of the dividend aristocrats, but some brokerages, including Schwab, Fidelity, Stash, M1 Finance and Robinhood, now let you purchase fractional shares of many stocks, including dividend aristocrats. You can also invest in dividend aristocrats through exchange-traded funds (ETFs) that contain all dividend aristocrat stocks, rather than buying individual names.

Dividend Aristocrats ETFs

Buying shares of a dividend aristocrat ETF can help you invest in dividend aristocrat stocks more easily and cheaply. Instead of having to buy 65 stock slices each time you wanted to invest in dividend aristocrats, you can simply buy shares from a single source like Pro Shares S&P 500 Dividend Aristocrats ETF (NOBL) which provides exposure to all 65 of the current dividend aristocrats for just over \$70.

How Dividend Aristocrats Fit in Your Portfolio

Dividend aristocrats can make sense if you're looking for a way to boost some of your growth while building an income portfolio. "Dividend aristocrats make a nice addition to a portfolio because you can be reasonably sure they are solid choices. "They're stable enough to have continued to increase their dividend every year for decades, even during recessions. You can use dividends to build your portfolio faster when you reinvest them. "With dividend stocks, whether they're on the dividend aristocrats list or not, you can use your payout to keep building your portfolio., "Reinvest any payout you have to buy more shares and fractional shares of the stock. You'll have more shares, which means a bigger payout next time, which means the chance to buy more shares."

This kind of **compound growth** is one of the keys to successful long-term investing. From 1926 to December 2018, for example, dividends accounted for about one-third of the monthly growth of the S&P 500, according to S&P Dow Jones Indices. And if you didn't reinvest dividends during that period, your average annual return would have been about 75% lower than if you had.

With that in mind, it's easy to see why some investors home in on dividend aristocrats ETFs, which offer more than 20% higher dividend yields than S&P 500 funds.

How to Balance Dividend Investing with Growth Investing

While dividend aristocrats can offer high dividend yields, dividend yields alone probably aren't sufficient data to justify an investment. For example, if you aren't careful, you might end up with a 2% dividend yield but no capital gain over the course of 10 years, as opposed to an alternative that might provide 5% compound growth over the same time period—but no dividend.

Given this, you may want to "... maximize your total return, net of taxes and expenses, adjusted for the risk. And doing so might take you outside of solely investing in dividend aristocrats.

With a total return strategy, don't count out dividend income entirely, though. Over the 10-year period ending September 11, 2020, the S&P 500 Dividend Aristocrats Index saw average annual returns of 10.80%. In comparison, during the same period, the S&P 500 had average annual returns of 11.65%.

Since all dividend aristocrats are listed on the S&P 500, investing in an S&P 500 index fund gives you exposure to dividend aristocrats while securing historically higher returns, even if the fund's overall dividend yield is slightly lower.

How to Invest in Dividend Aristocrats

In the world of investing, dividend aristocrats are companies with a proven track record of raising their dividends annually for at least the last 25 years. Because of this consistent performance, many investors consider them the finest equity income investments you can make.

What Are Dividend Aristocrats?

Dividend aristocrats are public companies that have consistently raised dividends every year over the long term. There are several listings of dividend aristocrats, but the best known one is the **S&P 500 Dividend Aristocrats Index**. Companies on this dividend aristocrats list:

Have increased their **dividend payouts** every year for at least 25 consecutive years.

Feature a market capitalization of at least \$3 billion. Saw average daily trading value of at least \$5 million for the three months before the last rebalancing and are included in the S&P 500 stock index.

S&P Dow Jones Indices compiles the annual list of qualifying dividend aristocrat companies, based on information for the prior year, and it rebalances the percentage each company occupies on the list quarterly. S&P Dow Jones Indices published the most recent dividend aristocrat list on January 1, 2020.

To maintain its status as a dividend aristocrat, a company must raise its dividend payment at least once during the year. New companies are added to the list as they reach the 25-year threshold. Once a company falls off the list by skipping a dividend increase, though, it must wait another 25 years to get back on the list.

How to Invest in Dividend Aristocrats

You can invest in dividend aristocrats on most traditional and online brokerages. You generally have to buy full shares of the dividend aristocrats, but some brokerages, including Schwab, Fidelity, Stash, M1 Finance and Robinhood, now let you purchase fractional shares of many stocks, including dividend aristocrats. You can also invest in dividend aristocrats through exchange-traded funds (ETFs) that contain all dividend aristocrat stocks, rather than buying individual names.

Dividend Aristocrats ETFs

Buying shares of a dividend aristocrat ETF can help you invest in dividend aristocrat stocks more easily and cheaply. Instead of having to buy 65 stock slices each time you wanted to invest in dividend aristocrats, you can simply buy shares from a single source like Pro Shares S&P 500

Dividend Aristocrats ETF (NOBL) which provides exposure to all 65 of the current dividend aristocrats for just over \$70.

How Dividend Aristocrats Fit in Your Portfolio

Dividend aristocrats can make sense if you're looking for a way to boost some of your growth while building an income portfolio. "Dividend aristocrats make a nice addition to a portfolio because you can be reasonably sure they are solid choices. "They're stable enough to have continued to increase their dividend every year for decades, even during recessions. You can use dividends to build your portfolio faster when you reinvest them. "With dividend stocks, whether they're on the dividend aristocrats list or not, you can use your payout to keep building your portfolio,. "Reinvest any payout you have to buy more shares and fractional shares of the stock. You'll have more shares, which means a bigger payout next time, which means the chance to buy more shares."

This kind of **compound growth** is one of the keys to successful long-term investing. From 1926 to December 2018, for example, dividends accounted for about one-third of the monthly growth of the S&P 500, according to S&P Dow Jones Indices. And if you didn't reinvest dividends during that period, your average annual return would have been about 75% lower than if you had.

With that in mind, it's easy to see why some investors home in on dividend aristocrats ETFs, which offer more than 20% higher dividend yields than S&P 500 funds.

How to Balance Dividend Investing with Growth Investing

While dividend aristocrats can offer high dividend yields, dividend yields alone probably aren't sufficient data to justify an investment. For example, if you aren't careful, you might end up with a 2% dividend yield but no capital gain over the course of 10 years, as opposed to an alternative that might provide 5% compound growth over the same time period—but no dividend.

Given this, you may want to "... maximize your total return, net of taxes and expenses, adjusted for the risk. And doing so might take you outside of solely investing in dividend aristocrats.

With a total return strategy, don't count out dividend income entirely, though. Over the 10-year period ending September 11, 2020, the S&P 500 Dividend Aristocrats Index saw average annual returns of 10.80%. In comparison, during the same period, the S&P 500 had average annual returns of 11.65%.

Since all dividend aristocrats are listed on the S&P 500, investing in an S&P 500 index fund gives you exposure to dividend aristocrats while securing historically higher returns, even if the fund's overall dividend yield is slightly lower.

PROSHARES S&P 500 DIVIDEND ARISTOCRATS ETF (NOBL)

The S&P 500's Best Dividend Growers (65)

Investors looking to add quality companies to their U.S. equity portfolios may want to consider a dividend growth strategy like ProShares S&P 500 Dividend Aristocrats ETF (NOBL). NOBL is the only ETF focusing exclusively on the S&P 500® Dividend Aristocrats®—a rare breed of companies within the S&P 500 that have raised their dividends for at least 25 consecutive years, with most growing dividends continuously for 40 years or more. NOBL's holdings are high-quality names that, as a group, have had stable earnings, solid fundamentals, and strong histories of profit and growth. Moreover, NOBL's strategy has a demonstrated history of weathering market turbulence, capturing most of the gains in rising markets and fewer of the losses in falling markets.

S&P 500 Dividend Aristocrats Index Holdings As of 1/31/20 rebalance and reconstitution

★ New for 2020

Name	Ticker	Sector	Years	Name	Ticker	Sector	Years
3M Company	MMM	Industrials	57	Medtronic Plc	MDT	Health Care	42
Coca-Cola Company	KO	Consumer Staples	57	Sherwin-Williams Company	SHW	Materials	40
Colgate-Palmolive Company	CL	Consumer Staples	57	Sysco Corporation	SYY	Consumer Staples	39
Dover Corporation	DOV	Industrials	57	Franklin Resources, Inc.	BEN	Financials	38
Emerson Electric Co.	EMR	Industrials	57	Aflac Incorporated	AFL	Financials	37
Genuine Parts Company	GPC	Consumer Discretionary	57	Air Products and Chemicals, Inc.	APD	Materials	37
Johnson & Johnson	JNJ	Health Care	57	Cincinnati Financial Corporation	CINF	Financials	37
Procter & Gamble Company	PG	Consumer Staples	57	Exxon Mobil Corporation	XOM	Energy	37
Stanley Black & Decker, Inc.	SWK	Industrials	52	Amcor PLC ★	AMCR	Materials	36
Hormel Foods Corporation	HRL	Consumer Staples	51	AT&T Inc.	T	Communication Services	35
Becton, Dickinson and Company	BDX	Health Care	48	Brown-Forman Corporation Class B	BF.B	Consumer Staples	35
Illinois Tool Works Inc.	ITW	Industrials	48	Cintas Corporation	CTAS	Industrials	35
Leggett & Platt, Incorporated	LEG	Consumer Discretionary	48	Ecolab Inc.	ECL	Materials	34
PPG Industries, Inc.	PPG	Materials	48	McCormick & Company, Incorporated	MKC	Consumer Staples	34
Target Corporation	TGT	Consumer Discretionary	48	T. Rowe Price Group	TROW	Financials	33
W.W. Grainger, Inc.	GWW	Industrials	48	Atmos Energy Corporation ★	ATO	Utilities	32
Abbott Laboratories	ABT	Health Care	47	Cardinal Health, Inc.	CAH	Health Care	32
AbbVie, Inc.	ABBV	Health Care	47	Chevron Corporation	CVX	Energy	32
Federal Realty Investment Trust	FRT	Real Estate	47	General Dynamics Corporation	GD	Industrials	28
Kimberly-Clark Corporation	KMB	Consumer Staples	47	A. O. Smith Corporation	AOS	Industrials	27
PepsiCo, Inc.	PEP	Consumer Staples	47	Linde plc	LIN	Materials	27
V.F. Corporation	VFC	Consumer Discretionary	47	Roper Technologies, Inc.	ROP	Industrials	27
Nucor Corporation	NUE	Materials	46	Caterpillar Inc.	CAT	Industrials	26
S&P Global, Inc.	SPGI	Financials	46	Chubb Limited	CB	Financials	26
Archer-Daniels-Midland Company	ADM	Consumer Staples	45	People's United Financial, Inc.	PBCT	Financials	26
Automatic Data Processing, Inc.	ADP	Information Technology	45	United Technologies Corporation	UTX	Industrials	26
Consolidated Edison, Inc.	ED	Utilities	45	Albemarle Corp ★	ALB	Materials	25
Lowe's Companies, Inc.	LOW	Consumer Discretionary	45	Essex Property Trust, Inc. ★	ESS	Real Estate	25
Walgreens Boots Alliance Inc	WBA	Consumer Staples	44	Expeditors International of Washington, Inc. ★	EXPD	Industrials	25
Clorox Company	CLX	Consumer Staples	43	Realty Income Corporation ★	O	Real Estate	25
McDonald's Corporation	MCD	Consumer Discretionary	43	Ross Stores, Inc. ★	ROST	Consumer Discretionary	25
Pentair plc	PNR	Industrials	43				
Walmart Inc.	WMT	Consumer Staples	43				
						Average Consecutive Years of Dividend Growth	41

Source: S&P Dow Jones. Historical data on dividend growth not recorded prior to 1962; companies shown with 57 years of dividend growth may have longer track records than shown here. Constituents are subject to change. If fewer than 40 stocks meet criteria, the index may include companies with shorter dividend growth histories.

Dividend Kings Increasing Div. for 50 + years

All 31 Dividend Kings are listed below by sector.

(The 5 Best)

Basic Materials

Stepan (SCL)

H.B. Fuller (FUL) #3

Consumer Cyclical

Genuine Parts Company (GPC)

Lowe's Companies (LOW)

Consumer Defensive

The Colgate-Palmolive Company (CL)

Hormel Foods Corporation (HRL)

The Coca-Cola Company (KO)

Lancaster Colony (LANC)

Altria Group (MO) #1

Procter & Gamble (PG)

Sysco Corporation (SYU)

Target Corporation (TGT)

Tootsie Roll Industries (TR)

Financial Services

Cincinnati Financial (CINF)

Farmers & Merchants Bancorp (FMCB) #2

Commerce Bancshares (CBSH)

Real Estate

#4 Federal Realty Investment Trust (FRT)

Healthcare

Johnson and Johnson (JNJ)

Utilities

American States Water (WR)

Calif. Water Services (CWT)

Northwest Natural Gas (MWN)

SJW Gray's (SJW)

Black Hills Corp. (BICH)

Industrials

ABM Industries (ABM)

Dover Corporation (DOV)

Emerson Electric (EMR)

Illinois Tool Works (ITW)

3M Company (MMM)

Nordson (NDSN)

Parker Hannifin (PH)

#5 Stanley Black & Decker (SWK)

2021 Dividend Kings

The 31 Dividend Kings are the **best-of-the-best** in dividend longevity.

What is a Dividend King? A stock with **50 or more consecutive years** of dividend increases.

There are currently 31 Dividend Kings, including recent additions such as Black Hills Corp. (BKH), Sysco (SY), Universal Corporation (UVV) and National Fuel Gas (NFG).

The 5 Best Dividend Kings Today

The following 5 stocks are our top-ranked Dividend Kings today, based on expected annual returns through 2026. Stocks are ranked in order of lowest to highest expected annual returns.

Total returns include a combination of future earnings-per-share growth, dividends, and any changes in the P/E multiple.

- No. 1 Altria Group (MO) 5 yr. Annual Expected Growth 11.1%
- No. 2 Black Hills Corp. (BKH) 5 yr. Annual Expected Grwth. 10.4%
- No. 3 Farmers and Merchants Bancorp. (FMCB) 5 yr. Growth
- No. 4 Lowe's Companies (LOW) 5 yr. Growth
- No. 5 National Fuel Gas (NFG) 5 yr. Expected Growth

STOCK MARKET

Living off Dividends in Retirement

Building a Dividend Portfolio for Income

12 Stock Dividend Weekly Portfolio

Five of the Safest Dividend Stocks to Buy

DIVIDEND INVESTING

Living off Div. in Retirement

Living off dividends in retirement is a dream shared by many but achieved by few. In today's environment marked by rising life expectancies, extremely low bond yields, and the longest bull market in history, retirees face challenges on all fronts to build a consistent income stream that will last a lifetime.

Before zeroing in on any particular strategy or investment vehicle, retirees need to understand how much risk they are willing to tolerate in the context of their entire portfolio and the corresponding rate of return that can reasonably be achieved.

While each of us will ultimately reach different conclusions and asset allocations, we are united by common desires – to maintain a reasonable quality of life in retirement, sleep well at night, and not outlive our savings.

Not surprisingly, we believe dividend investing can help achieve each of these objectives. However, unless your nest egg is large enough to allow you to live off of dividend income without touching your principal, it is prudent to maintain diversified sources of retirement income.

Most retirement paychecks are funded by a combination of investment income and withdrawals of principal. Retirement income generators such as annuities or systematic withdrawals often provide more upfront income than a dividend strategy.

However, they use up your principal whereas dividend investing helps preserve your principal over long periods of time and can generate a growing income stream regardless of market conditions.

The *Wall Street Journal* provided a practical example of how dividends can help fuel a healthy and sustainable retirement. The article assumed you retire with \$1 million and desire \$40,000 in annual inflation-adjusted retirement income. It also assumed that inflation runs at 2%, Treasury yields match the inflation rate, and stock dividends grow 3.5% per year.

It goes on to state that you invest \$400,000 into Treasury bonds and \$600,000 into stocks that yield 3%, good for \$18,000 in dividend income each year. After spending every dollar of dividends, you sell part of your bond portfolio to hit your

\$40,000 inflation-adjusted annual income target. After about 21 years, your bond portfolio would be fully depleted.

However, over that time period, your annual dividend income might have grown by a third to reach \$24,000 per year, even after accounting for inflation. Most importantly, you would still own all your stocks.

If your dividend income grew by about 33% after adjusting for inflation, then it is reasonable to believe that the value of your stocks could have appreciated by a similar amount as their growing cash flow made them worth more over time, perhaps reaching close to \$800,000 in value.

Assuming you retired no sooner than the age of 60, you would now be in your 80s and have a healthy amount of funds left for the rest of your retirement.

While your initial bond / stock mix will vary based on the size of your nest egg, your risk tolerance, and your return objectives, building a portfolio of several dozen quality dividend stocks that collectively yield at least 3% and grow their dividends by at least 3.5% per year going forward is very attainable.

As *The Wall Street Journal's* example showed, building a growing stream of dividends can help offset today's low bond yields while avoiding problems caused by potentially inflated stocks prices – high quality dividend stocks can continue raising their dividend during bear markets.

While some retirees on a systematic withdrawal plan would feel pressure to cut back during stock market declines, you can enjoy a pay raise with the right dividend stocks.

Let's take a closer look at the benefits and risks of leaning on dividend income in retirement.

Living Off Dividends:

The Benefits of Dividend-Paying Companies

Depending on companies that pay safe and growing dividends for retirement income alleviates many of the worries that come with the ups and downs of the market. Focusing on growing dividend income rather than the noise caused by volatile stock prices fits well with a long term investment strategy and removes some of the emotional risk associated with investing.

While a portfolio of dividend growth stocks will experience some variability in market value, the income that a good portfolio churns out should consistently grow over time. Even during the financial crisis, over 230 companies increased their dividend.

This contrasts sharply with a systematic withdrawal system for retirement income. Which situation sounds more stressful – the investor who lives off cash flow produced and distributed by his investments each month, or the investor who must select assets to sell in order to generate enough cash flow each year?

Living on dividend income in retirement provides cash without incurring the stress of figuring out which assets to sell and when, especially if another market crash is around the corner.

Once again, the focus can remain on locating safe dividend payments rather than getting concerned with the market's price volatility and how that might impact your withdrawal amounts. As long as there is no reduction to the dividend, income keeps rolling in regardless of how the market is behaving. A great example is our Conservative Retirees model dividend portfolio in our monthly newsletter. While the S&P 500 Index plunged more than 50% during the financial crisis, the stocks we hold would have delivered another benefit of owning dividend stocks in retirement is that many companies increase their dividends over time, helping offset the effects of inflation.

According to the Wall Street Journal, over the past 50 years the S&P 500's dividends grew at an average 5.7% per year, outpacing the average 4.1% inflation rate. While past performance is not necessarily indicative of future results, retirees who depend on a meaningful amount of dividend income are likely to be in a good position to protect their purchasing power with the right dividend stocks.

Additionally, a dividend investing strategy preserves and grows your principal over long periods of time, unlike most annuities and withdrawal strategies. This allows you to leave a legacy for your family or favorite charities. Dividend investing also provides flexibility to sell off assets if you need to fund special retirement activities or offset some unexpected dividend cuts. Once again, annuities typically lack this flexibility. steady dividend income during this period.

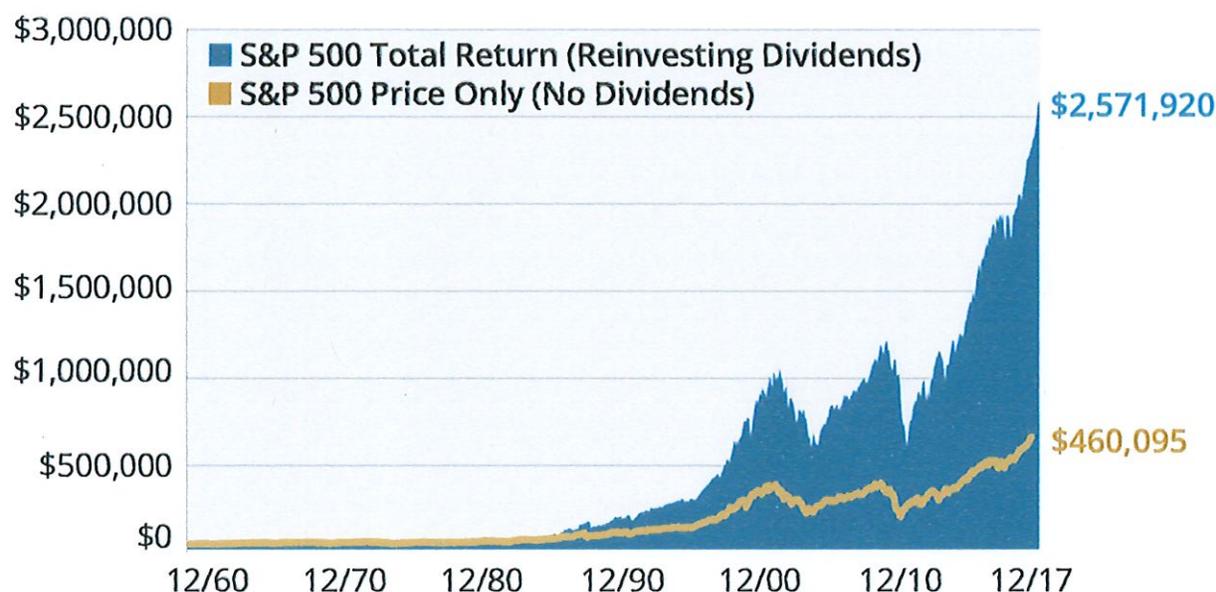
Importantly, dividend stocks have contributed substantially to the market's total return over time, playing a very important role when it comes to capital preservation and growth. From 1930 through 2017, dividends have accounted for approximately 42% of the S&P 500 Index's total return, per the Hartford Funds. But what does that really mean? Well, suppose you made two \$10,000 investments into the S&P 500 back in 1960. One investment received no dividends. Its value was completely driven by the rise (or fall) of the market.

The other \$10,000 investment received dividends paid by the S&P 500 companies, reinvesting the payments back into the S&P 500 as they were received.

The latter investment grew to more than \$2.5 million by the end of 2017 compared to less than \$500,000 for the other investment. Dividends matter.

The Power of Dividends and Compounding

Growth of \$10,000 (12/1960–12/2017)



As you might have noticed in the bar chart above, the relative importance of dividends varied from one decade to the next depending on the strength of the market's price performance. During periods when stock prices stagnate, such as the 1970s and 2000s, dividends make up a greater portion of the market's return than capital appreciation.

With the market trading at a historically elevated earnings multiple today, making significant capital gains harder to come by, dividends seem likely to account for a meaningful proportion of the market's total return over the next decade.

As Warren Buffett stated in May 2018, "Long-term bonds are a terrible investment at current rates and anything close to current rates."

Why the hate for long-term bonds? Like many things, it's simple math for Buffett. Long-term bond yields are 3% today, and their interest income is taxable at the Federal level. In other words, their after-tax yield is about 2.5%.

Meanwhile, the Federal Reserve is targeting 2% annual inflation. So the long-term bonds' after tax return, adjusted for inflation, is approximately 0.5% per year.

As Buffett put it, long-term bonds at these rates are "ridiculous." It's hard to disagree when you consider that long-term stock returns are close to 10% per year, and, unlike bonds (which make fixed interest payments), dividend stocks grow their payouts.

Average Annual Returns and Volatility by Dividend Policy

(1/31/72-12/31/17)

	Returns	Beta	Standard Deviation
Dividend Growers & Initiators	10.07%	0.87	15.66%
Dividend Payers	9.25%	0.94	16.42%
No Change in Dividend Policy	7.47%	1.00	17.76%
Dividend Non-Payers	2.61%	1.29	24.46%
Dividend Cutters & Eliminators	-0.35%	1.23	24.84%
Equal-Weighted S&P 500 Index	7.70%	1.00	17.31%

Data Source: Ned Davis Research, 1/18. Stocks within the S&P 500 Index.

Stocks that pay a dividend often have characteristics that appeal to conservative investors. For one thing, a steadily growing dividend is often a sign of a company's durability, stability, and confidence in its underlying business.

In order to continuously pay a dividend, a company must generate profits above and beyond the operating needs of the business and tends to be more careful with their use of cash.

These qualities filter out many lower quality businesses that have too much debt, volatile earnings, and weak cash flow generation – characteristics that can lead to large capital losses and sizable swings in share prices.

The lower price volatility profile of dividend-paying stocks is attractive for retirees concerned with capital preservation.

Finally, holding individual stocks rather than dividend-focused ETFs or mutual funds protects the full income you signed up to receive while keeping you in full control of what you own.

Investing in individual securities yourself eliminates the costly fees assessed each year by many ETFs and mutual funds, saving thousands of dollars along the

way. All you pay is a one-time commission cost (typically \$10 or less per trade with discount brokers) to execute your initial trade to buy the stock.

However, actively managing a portfolio requires time and behavioral discipline, making it inappropriate for some people. While it doesn't guarantee better performance, it does eliminate a major drag on returns – the high fees charged by many fund managers and advisors on Wall Street.

Higher fees mean less dividend income for retirement. The relatively high fees charged by most fund managers are also a key reason why Warren Buffett advised the typical person to put their money in low-cost index funds for the best long-term results in his 2014 shareholder letter:

"My advice to the trustee couldn't be more simple: Put 10% of the cash in short-term government bonds and 90% in a very low-cost S&P 500 index fund. (I suggest Vanguard's.) I believe the trust's long-term results from this policy will be superior to those attained by most investors — whether pension funds, institutions or individuals — who employ high-fee managers..."

Both individuals and institutions will constantly be urged to be active by those who profit from giving advice or effecting transactions. The resulting frictional costs can be huge and, for investors in aggregate, devoid of benefit. So ignore the chatter, keep your costs minimal, and invest in stocks as you would in a farm."

The average fund tracked by Morningstar charges about 1%, according to The Wall Street Journal. If a \$1 million portfolio was invested in the average mutual fund, it would pay \$10,000 in fees, which grow as the account's value rises.

Suppose the \$1 million was invested in a dividend-focused fund yielding 3.5%. Over 28% of the \$35,000 of dividend income generated would go towards fees. But what about some of the low-cost dividend ETFs with fees as low as 0.1%? In many cases, investors who are less willing to commit the time or lacking the stomach to buy and hold dividend stocks directly would be wise to evaluate such funds for their portfolios.

However, they lose a valuable benefit: control.

Specifically, almost all ETFs own dozens, hundreds, or even thousands of stocks. Vanguard's High Dividend Yield ETF (VYM) owns over 350 companies, for example.

Some of these are good businesses with safe dividends, while others are lower

in quality and will put their dividends on the chopping block. Some have high yields, others hardly generate much income at all.

Simply put, an ETF is a hodgepodge of companies which may or not match your own income needs and risk tolerance very well.

Vanguard's High Dividend Yield ETF got into trouble during the financial crisis because it was not focused on dividend safety. The ETF's dividend income dropped by 25% during this period and took four years to recover to a new high.

Hand-picking your own dividend stocks with a focus on income safety can deliver higher, more predictable, and faster-growing income compared to most low-cost ETFs. You will also better understand all of the investments you own, helping you weather the next downturn with greater confidence.

In summary, owning individual dividend stocks for retirement income has numerous benefits. Your principal can be preserved, your income can maintain itself regardless of where stock prices go, you can protect your purchasing power through dividend growth, your investment fees will be substantially lower, and you will understand exactly what you own.

However, there are several risks to be aware of when it comes to living on dividend income in retirement.

Risks of Living on Dividend Income

Proper diversification is one of the hallmarks of portfolio construction. If an investor goes all-in on dividend stocks for retirement, he would be concentrating completely in one asset class and investment style. Most advice calls for retirees to keep their equity exposure between 20% and 75% of their overall portfolio, with bonds and cash making up the rest.

However, asset allocation depends on an individual's unique financial situation and risk tolerance.

A primary investment objective in retirement is to guarantee a minimum daily standard of living so you don't outlive your nest egg and can sleep well at night. Some folks are able to meet that minimum income amount they need through some combination of pension income, Social Security payments, and guaranteed interest from certificates of deposit.

In those cases, these investors might allocate upwards of 80-100% of their portfolio to dividend-paying stocks to generate more income and achieve stronger long-term capital appreciation potential and income growth. Your asset mix between bonds, stocks, and cash will ultimately be driven by the income you

need to generate and your risk tolerance.

While this goes against traditional asset allocation advice in retirement, which calls for holding a more balanced mix of stocks and bonds (plus 2-3 years of living expenses in cash), these retired folks view their guaranteed Social Security and pension payments as their "bond" income. Therefore, they are comfortable investing more heavily in stocks.

Going more into stocks (even higher quality dividend stocks) will increase your portfolio's volatility compared to owning a mix of Treasuries and stocks. The upsides are that you will generate more income, that income will grow faster (Treasury payments are fixed), and your portfolio will have much greater long-term potential for capital appreciation.

However, your short-term returns will be less predictable, which can be troublesome if you need to periodically sell portions of your portfolio to make ends meet in retirement or don't have a stomach for much volatility. A return of 0% from bonds becomes a lot more attractive if your stock portfolio drops by 25%. Another way you could run into trouble with a dividend strategy is by only owning high-yielding stocks concentrated in one or two sectors, like real estate investment trusts (REITs) and utilities. Should interest rates rise and trigger a major investor exodus in high-yield, low-volatility sectors, significant price volatility and underperformance could occur.

Dividend investors can also fall into the trap of hindsight bias if they are not careful. The desire to own consistent dividend growers has caused groups of stocks like the S&P 500 Dividend Aristocrats Index to become wildly popular with investors. Dividend aristocrats are stocks in the S&P 500 that have increased their dividend for at least the last 25 consecutive years. These stocks get the attention of dividend investors because they have outperformed the market and we like to assume that many of them will always keep paying and growing their dividends, which is far from guaranteed. Look at General Electric or AIG prior to the financial crisis as examples.

And General Electric and AIG aren't alone. According to the Wall Street Journal, companies in the S&P 500 reduced their dividends by 24% between late 2008 and early 2010. The Dividend Aristocrats Index also fell 22%, outperforming the market but still taking a much bigger hit than bonds.

Clearly, it is important to diversify your holdings and remember that you own shares of stock, not bonds. If a company fails to pay back its debt, it files for bankruptcy. If business conditions get tough, it will simply cut the dividend first to stay alive. Generally speaking, stocks and their dividend income are riskier than bonds. There is no free lunch.

Focusing on income return at the expense of total return (income *and* price return) is another trap dividend investors fall into – just because a stable company pays a dividend doesn't mean it is automatically a superior investment or resistant to price drops in the broader stock market. In theory, whether your retirement cash flow comes from dividend income, bonds, or sales of your portfolio's holdings shouldn't matter.

However, many of us would prefer to leave our principal untouched and live off the dividend income it generates each month, even if it results in a somewhat lower total return. While this mentality is irrational, it can also create a desire to chase high-yield dividend stocks. In many cases, it is a big mistake to simply reach for dividend stocks that match your yield objective. Unfortunately, many stocks (excluding some REITs and MLPs) with dividend yields greater than 5% are signaling that something could be structurally wrong with their businesses or that the dividend will need to be cut to help the company survive. In these situations, your principal often faces the greatest risk of long-term erosion.

You must always understand what is enabling the company to offer such a large payout. In our opinion, investors are usually better off pursuing lower risk stocks that yield 5% or less. These companies tend to have better prospects of maintaining and growing earnings and investors' principal over time.

Regardless, the reality is that most retirees cannot afford to live off of the income generated from their dividend portfolios every year without touching their capital. These investors should especially focus on designing a portfolio for total return rather than for dividend income alone. Once the portfolio's objectives and stock and bond allocation are determined, you can figure out how to get the cash flow out of it, whether it's through asset sales, interest payments, dividends, or something else. Dividend payments are one important way to generate consistent cash flow, but they shouldn't be looked at in a vacuum. Keep your mind open and be aware of alternative income sources that might be an equally attractive fit for you.

Additional downsides to dividend investing are the time it requires to stay current with your holdings and the learning required to get started. While investing isn't rocket science, it does require a stomach for risk (i.e. price volatility), enough financial literacy to understand the basic guts of a company, a commitment to stay current with the quality of your holdings, and common sense. When you look at the savings generated from a do-it-yourself investing approach compared to handing your money over to the typical high-fee mutual fund or advisor, thousands of dollars of savings are possible for those willing to make the commitment. That can go a long way in retirement and sure beats working a job if investing is even just somewhat interesting to you.

Of course, this also assumes that the individual investor can find safe dividend stocks that perform no worse than the dividend mutual funds and ETFs that are available.

Closing Thoughts

Managing your assets for retirement can feel like an overwhelming process. There are many big decisions to make, based on your own objectives, risk tolerances, and quality of life expectations. These individual differences will drive asset allocation decisions, but they should not be rushed into.

With every decision, be sure to thoroughly review the fees, flexibility, and fine print of the investment vehicles you are considering. At the end of the day, remember that you are looking to meet a consistent cash flow objective and are not wedded to achieving your goal through any one source such as bond interest, annuity payments, or dividend income.

Quality dividend stocks can serve as a foundational component of current income and total return for most retirement portfolios.

A properly constructed basket of dividend stocks can provide safe current income, growth, and long-term capital appreciation to help make a broader retirement portfolio last a life time.

Build a Dividend Portfolio for Rising Income.

Dividend Growth Investing Overview

What separates dividend growth investing from other types of investing is its unique focus on businesses that *compound wealth over time*. Dividend growth investors look for businesses that pay rising dividends year-after-year. For a business to pay increasing dividends every year, it must have a durable competitive advantage.

By definition, dividend growth stocks have shareholder friendly managements (in general). A company must care about shareholders to pay them more money every year. In addition, dividend growth investors look for above-average dividend yields. The higher the dividend yield, the better. Combining these ideas, dividend growth investors look for:

- Stocks with above-average dividend yields
- Stocks with a history of increasing dividends
- Stocks with a durable competitive advantage

The Evidence for Dividend Growth Investing

- Receiving rising dividend income every year *sounds nice*, but how does it work in practice? Dividend growth investing has historically produced enviable returns.
- Dividend growth stocks have outperformed the market – with lower volatility – from 1972 through 2014, as the image below shows.

The purpose of building a dividend compounding portfolio is to provide a perpetual source of growing cash flows. If you reach a point where you can live off the growing dividend income your investments produce, you have reached financial freedom. What's more, you will never have to touch your principle. Your money will be left Compounding indefinitely. This can and will create intergenerational wealth.

Consider a special group of stocks called the Dividend Aristocrats. The Dividend Aristocrats Index is comprised only of businesses in the S&P 500 that have paid increasing dividends every year for 25 or more consecutive years

How To Build Your Compounding Dividend Portfolio:

Identify Potential Stocks

To build a portfolio that will compound your dividends for you over time, you have to identify the *right kinds of businesses*. Only businesses that have strong and durable

Another excellent place to look for ideas is to look at the *even more exclusive* Dividend Kings. The Dividend Kings are the most exclusive dividend group. Like these examples. Johnson & Johnson (JNJ) Procter & Gamble (PG) Colgate-Palmolive (CL)Coca-Cola (KO) and 3M (MMM) There are currently 17 Dividend Kings.

Build Your Compounding Div. Portfolio & Don't Overpay.

Once you identify a high quality business, the next step is to determine if it is trading at a fair or better price. Value matters. If you buy a stock that is wildly overvalued, you will likely lose money over time. A quick way to tell if a stock is worthy of further research is to determine if it is trading for less than its historical average price-to-earnings ratio. If a business is trading for lower than its historical average price-to-earnings ratio, it is likely trading at fair value or better. It is important to avoid stocks with high price-to-earnings ratios (anything over 25 is probably too high for an established business). Another important metric in calculating value (and returns) is a stock's dividend yield. The dividend yield is the total dividends paid per year divided by the stock price. It's like the interest rate on your savings account. The higher, the better.

Build Your Compounding Div. Portfolio with Diversification

An investment in any stock comes with two types of risk. Systematic risk is the risk of investing in the stock market in general. Systematic risk is what you take on to benefit from the growth of the overall stock market. It is the risk 'of the system'.

Unsystematic risk is also called business risk. It is risks inherent to one specific business. Unsystematic risk can be diversified away. The more stocks you own, the less risk (and reward) you have from any one specific stock.

. With diversification, you want to take a goldilocks approach – not too much and not too little. Holding around 20 stocks gives you nearly all the benefits of owning a much larger portfolio, with the added advantage of being able to focus on just high dividend-paying businesses trading at fair or better prices. A 20 stock portfolio assumes you will invest an equal amount in each stock. If you invest 90% of your portfolio in 1 stock, and the remaining 20% in the next 20 stocks, you are (obviously) not well diversified.

Your Compounding Dividend Portfolio:

20 Stock Model Portfolio

To build a compounding dividend portfolio, an investor should look for: High quality businesses (like Dividend Kings and Dividend Aristocrats A sample 20 stock portfolio is shown below.)

	Ticker	Industry	Weight	Dividend Yield
Exxon	XOM	Integrated Oil & Gas	5.0%	3.4%
Phillips 66	PSX	Oil & Gas Refining	5.0%	2.4%
Phillip Morris	PM	Cigarettes	5.0%	4.6%
General Mills	GIS	Processed & Packaged Goods	5.0%	3.1%
Proctor & Gamble	PG	Personal Products	5.0%	3.4%
Wells Fargo	WFC	Money Center Banks	5.0%	2.7%
Aflac Ins.	AFL	Accident & Health Insurance	5.0%	2.6%
T Rowe Price Group	TROW	Asset Management	5.0%	2.7%
Johnson & Johnson	JNJ	Diversified Health Care	5.0%	2.9%
Abbott Laboratories	ABT	Diversified Health Care	5.0%	2.1%
Pfizer	PFE	Drug Manufacturer	5.0%	3.2%
3 M	MMM	Diversified Machinery	5.0%	2.6%
United Technologies	UTX	Aerospace/Defense Products	5.0%	2.6%
Walmart	WMT	Discount Retail	5.0%	3.4%
Grainger	GWW	Industrial Equipment Wholesale	5.0%	2.2%
Union Pacific	UNP	Railroads	5.0%	2.5%
Microsoft	MSFT	Business Software & Services	5.0%	2.7%
Verizon	VZ	Telecom Services	5.0%	4.9%
Southern Company	SO	Electric Utilities	5.0%	4.8%
Consolidated Edison	ED	Electric Utilities	5.0%	4.0%
Total			100%	3.1%

Stocks with above-average yields trading at reasonable valuation levels At least 20 stocks, equally weighted for diversification.

The model portfolio above is well diversified between sectors and industries. It has a higher dividend yield and lower forward price-to-earnings ratio than the S&P 500. Further, it invests only in high quality businesses with long dividend histories.

The 12 Stock Dividend Weekly Portfolio

Dividend-paying stocks have a very predictable payout timeline, making them a welcome addition to any well-rounded investment portfolio. Stocks pay dividends monthly, quarterly, semi-annually and annually, giving investors plenty of opportunity to earn predictable income. Receiving steady dividend income is one of the best ways to generate returns over the long term.

Weekly Income Strategy By combining the various payout schedules, investors can ensure they receive dividend payments on a monthly basis from some of Wall Street's highest-quality dividend-paying common stocks and REITs. Although it may seem complicated at first, all you need is a handful of stocks to make this strategy a reality. For example, **Wal-Mart Stores Inc. (WMT)** pays dividends in January, April, June and September. **Blackstone Group (BX)** issues payouts in February, May, August and November. **Johnson & Johnson (JNJ)** has a payout schedule of March, June, September and December.

	1st Week	2nd Week	3rd Week	4th Week	5th Week
January	<u>Walmart</u> <u>Kimberly-Clark</u>	<u>Altria Group</u>	<u>W.P. Carey Inc. (REIT)</u>	<u>Cisco</u>	
February	<u>AT&T</u>	<u>Blackstone Group</u>	<u>Apple</u>	<u>Caterpillar Inc.</u>	<u>Simon Proj Group (RE</u>
MARCH	<u>PFIZER</u>	<u>Johnson & Johnson3</u>		<u>Lockheed Martin2, Avery Dennison1</u>	
April	<u>Wal-Mart Stores, Kimberly-Clark</u>	<u>Altria Group</u>	<u>W.P. Carey Inc. (REIT)</u>	<u>Cisco</u>	
May	<u>AT&T</u>	<u>Blackstone Group</u>	<u>Apple</u>	<u>Caterpillar Inc.</u>	<u>Simon Proj Group (RE</u>
June	<u>Wal-Mart Stores, Pfizer</u>	<u>Johnson & Johnson3</u>	<u>Praxair</u>	<u>Lockheed Martin2, Avery Dennison1</u>	
July	<u>Kimberly-Clark</u>	<u>Altria Group</u>	<u>W.P. Carey Inc. (REIT)</u>	<u>Cisco</u>	
August	<u>AT&T</u>	<u>Blackstone Group</u>	<u>Apple</u>	<u>Caterpillar Inc.</u>	<u>Simon Proj Group (RE</u>
September	<u>Wal-Mart Stores, Pfizer</u>	<u>Johnson & Johnson3</u>	<u>Praxair</u>	<u>Lockheed Martin2, Avery Dennison1</u>	
October	<u>Kimberly-Clark</u>	<u>Altria Group</u>	<u>W.P. Carey Inc. (REIT)</u>	<u>Cisco</u>	

November	<u>AT&T</u>	<u>Blackstone Group</u>	<u>Apple</u>	<u>Caterpillar Inc.</u>	<u>Simon Pro Group (RE</u>
December	<u>Pfizer</u>	<u>Johnson & Johnson³</u>	<u>Praxair</u>	<u>Avery Dennison¹</u>	Lockheed

If you look closely, these stocks reveal another pattern. Wal-Mart pays its dividend in the first week of January, April, June and September, whereas BX issues payments in the second week of February, May, August and November. Meanwhile, Johnson & Johnson tends to pay out during the second or third week of March, June, September and December.

The chart below includes several other dividend stocks that follow the same pattern: namely, they pay quarterly and on different weeks.

By combining these stocks into a single portfolio, investors can receive dividend payments on almost every week of the year.

12 Stock Portfolio Strategy Let's consider a list of common stocks and REITs that would be part of the portfolio. The typical dividend pay dates of these common stocks and REITs are shown below under the respective week of the year.

¹AVY pay date can be in the third or fourth week of the month.

²LMT pay date can be in the fourth or fifth week of the month.

³JNJ pay date can be in the second or third week.

Note: The total number of stocks represented in the above table is 15 instead of 12. This has been done to factor in that for certain weeks we have multiple payouts. This strategy provides regular income through all stages of the business cycle, ensuring steady growth even during volatile periods. Although 2017 was an exceptional year for stocks, double-digit percentage gains will be more difficult to justify in the future as markets contend with overvaluation and a whimpering Trump rally. Investors in search of greater diversification and more consistent results can use this strategy with great success. Best of all, they only need to rely on proven dividend stocks with a sizable track record of regular payments.

Weekly options are another great way to boost your weekly income. [Click here](#) to learn more about this unique strategy and how you can capitalize on blue-chip companies such as **Apple (AAPL)** and **ExxonMobil (XOM)**.

The Bottom Line

A total of 12 stocks is all you need to earn a dividend payout every single week. This strategy can ensure your portfolio earns steady income regardless of the market cycle.

5 of The Safest Dividend Stocks

by suredividends.com

The Dividend Aristocrats are a group of 64 stocks in the S & P 500 index which have each increased their dividends for at least 25 consecutive years or longer. Also, all five of the stocks analyzed in this article had lower drawdowns than the S&P 500 and have also managed to outperform the S & P 500 during both The Great Recession and the recent Coronavirus Crisis.

No 1: Walmart (WMT)

Walmart is the largest retailer in the world, serving 270 million customers each week. Their revenue will be well in excess of \$500 billion dollars this year and the stock trades with a market capitalization above \$300 billion.

No 2: Clorox (CLX)

Clorox is a major manufacture of cleaning and sanitation products. Their strong brands are a unique competitive advantage that should lead to continued growth for many years. Clorox has a long history of dividend growth as they have increased their dividend for 42 years in a row.

No 3: Hormel Foods (HRL)

Hormel is a global food manufacture with nearly \$ 10 billion in annual sales. They sell their products in 80 countries worldwide. They have 35 products that are either # 1 or #2 in their category, They will provide a consistent and reliable dividend every year, regardless of the economic climate.

No 4: Colgate Palmolive (CL)

Colgate-Palmolive has been in business for over 200 years and generates more then 16 billion in annual revenue. They have paid uninterrupted dividends since 1895, and increased payments to shareholders every year for the past 57 years.

No. 5: Beckton-Dickinson & Company (BDX)

This company was founded in 1897---today, it has almost 50,000 employees across 190 countries, and the company generates annual revenue of approximately \$18 billion. As a healthcare company, it supplies products that are necessary for patients, regardless of the economic climate. Investors can be confident that these guy's will be around and perform for many years to come.

STOCK MARKET

Eight Rules of Dividend Investing

Five High Monthly Dividend ETF's

Ten Monthly Dividend Stocks to Buy

DIVIDEND INVESTING

8 Rules of Dividend Investing

The 8 rules of dividend investing are based on common-sense principals that come from many of the greatest investors of all time. The 8 rules of dividend investing are academically substantiated. They are quantifiable hard rules, not fuzzy guesswork approaches.

The first 5 rules govern what stocks you should invest in.

Rules 6 and 7 detail when to sell.

Rule 8 guides you on portfolio management.

Rule 1 - The Quality Rule

Quote- "The single greatest edge an investor can have is a long term orientation"

Invest in great businesses that have a proven long-term record of stability, growth, and profitability. There is no reason to own a so-so business when you can own a great business for a very long time.

Invest only in stocks with 25 or more years of consecutive dividend increases

Evidence - The Dividend Aristocrats (stocks with 25+ years of rising dividends) have outperformed the S&P500 over the last 10 years by 2.88% per year.

Rule 2 - The Bargain Rule

Quote - "Price is what you pay, value is what you get"

Common Sense Idea - Invest in businesses that pay you the most dividends so you can increase your cash flow from your investments.

Financial Rule - Rank stocks by their dividend yield.

Evidence - The highest yielding quintile of stocks outperformed the lowest yielding quintile of stocks by 1.76% per year from 1928 through 2017.

Rule 3 - The Safety Rule

Quote - "The secret of sound investment in 3 words; margin of safety"

Common Sense Idea -If a business is paying out all their profits as dividends, they will have nothing left to grow the business. When a downturn in the business occurs, they will have to cut the dividend. Invest in

businesses that have much higher profits than they do dividend payments so your dividend payments are secure.

Financial Rule - Rank stocks by their payout ratios.

Evidence - High yield low payout ratio stocks outperformed high yield high payout ratio stocks by 8.2% per year from 1990 to 2006.

Rule 4 - The Growth Rule

Quote - "All you need for a lifetime of successful investing is a few big winners"

Common Sense Idea - Invest in businesses that have a history of solid growth. If a business has maintained a high growth rate for several years, they are likely to continue to do so. The more a business grows, the more profitable your investment will become.

Financial Rule - Rank stocks by their long-term revenue growth.

Evidence - Growing dividend stocks have outperformed stocks with unchanging dividends by 2.4% per year from 1972 to 2017.

Rule 5 - The Peace of Mind Rule

Quote - "Psychology is probably the most important factor in the market - and one that is least understood".

Common Sense Idea - Look for businesses that people invest in during recessions and times of panic. These businesses will have a relatively stable stock price that will make them easier to hold for the long run.

Financial Rule - Rank stocks by their long-term volatility.

Evidence - The S&P Low Volatility index outperformed the S&P500 by 2.00% per year for the 20 year period ending September 30th, 2011.

Rule 6 - The Overpriced Rule

Quote - "Pigs get fat, hogs get slaughtered"

Common Sense Idea - If you are offered \$500,000 for a \$250,000 house, you take the money. It is the same with a stock. If you can sell a stock for much more than it is worth, you should. Take the money and *reinvest* it into businesses that pay higher dividends.

Financial Rule - Sell when the normalized P/E ratio is over 40.

Evidence - The lowest decile of P/E stocks outperformed the highest decile by 9.02% per year from 1975 to 2010.

Rule 7 - The Survival of the Fittest Rule

Quote - "When the facts change, I change my mind. What do you do, sir?" -

Common Sense Idea - If a stock you own reduces its dividend, it is paying you less over time instead of more. This is the opposite of what should

happen. You must admit the business has lost its safety and reinvest the proceeds of the sale into a more stable business.

Financial Rule - Sell when the dividend payment is reduced or eliminated.

Evidence - Stocks that reduced or eliminated their dividends had a 0% return from 1972 through 2013.

Rule 8 - The Hedge Your Bets Rule

Quote - "The only investors who shouldn't diversify are those who are right 100% of the time"

Common Sense Idea - When you go to invest, buy the highest ranked stock of which you own the least. You will be spreading your bets over different businesses as time goes by. Better yet, you will still be investing in great businesses.

Financial Rule - Buy the highest ranked stock of which you own the least.

Evidence - 90% of the benefits of diversification come from owning just 12 to 18 stocks.

Real Life Examples

To get an idea of exactly what businesses fit the rules above, I have selected 5 stocks that are world dominating dividend growers:

- Coca-Cola
- Wal-Mart
- Kimberly-Clark
- McDonald's
- Exxon Mobil

The majority of stocks that the 8 rules find are well known businesses that have been around for a long time and have paid dividends ever year for many-many years in a row. **They are household names that many people are very familiar with. This is because they have been so successful, for so long.**

5 High Monthly Dividend ETFs

Exchange-traded funds (ETFs) offer an easy strategy for portfolio diversification, but high monthly dividend ETFs also generate steady income distributions desired by income-seeking investors.

Using the ETF Directory available at DividendInvestor.com, I selected the monthly dividend ETFs with the highest dividend yield that have not reduced their monthly dividend payout during the previous 12 months and offer one-year total returns in excess of their yield, which indicates a positive asset appreciation as well. The following 10 high monthly dividend ETFs have dividend yields that exceed 5% and should provide steady monthly income distributions to complement any investment portfolio's capital growth strategy.

iShares Preferred & Income Securities ETF (NASDAQ:PFF)

This ETF seeks to track the investment results of an index composed of U.S. dollar-denominated preferred and hybrid securities. As of early-November 2019, this ETF held more than \$16.8 billion in assets under management spread across 480 individual holding from eight countries. The vast majority of holdings – 96% – were from U.S.-based equities. The fund's current dividend payouts yield 5.6% and have combined with asset appreciation for a total return of 9.5% over the last year and 21% over the last five years.

Invesco KBW Premium Yield Equity REIT ETF (NASDAQ:KBWY) This fund follows the **makeup and** performance of the KBW Nasdaq Premium Yield Equity REIT Index. The Fund generally invests at least 90% of its total assets in the securities of small- and mid-cap equity REITs included in the underlying Index that have competitive dividend yields and are publicly-traded in the U.S. . Dividend payouts contributed most of the fund's 7.4% total return over the last year. The fund also delivered total returns of 18.3% and 37% over the past 3 and five years,

First Trust Multi-Asset Diversified Income Index Fund (NASDAQ:MDIV)

The MDIV fund generally tracks the NASDAQ US Multi-Asset Diversified Income IndexSM. Currently, the fund's assets represent five equity classifications – dividend-paying equities, real estate investment trusts (REITs), preferred securities, master limited partnerships (MLPs) and high-yield corporate debt ETFs – each with share of assets ranging from 18% to 22.7% . The fund currently offers a 6.07% yield that combined with asset appreciation for a 9.8% total one-year return.

Global X Super Income Preferred ETF (NYSEArca:SPFF)

The SPFF invests in 50 of the highest-yielding preferred stocks in North America, compared to the DIV's focus on U.S. securities. SPFF tracks the S&P Enhanced Yield North American Preferred Stock Index and currently has nearly \$200 million of net assets distributed across 50 securities. Equities in the Financials sector account for more than two-thirds of total assets. Including Real Estate and Energy, the top three sectors account for nearly 90% of assets. The fund currently offers a 6.28% yield and its share price has gained nearly 7.5% since the 52-week low in December-2018 for total return of more than 11% over the trailing 12-month period.

Invesco CEF Income Composite ETF (NYSEArca:PCEF)

This fund tracks the S-Network Composite Closed-End Fund IndexSM. The fund generally invests at least 90% of its total assets in securities of funds included in the Index. The Fund is a "fund-of-funds," as it invests its assets in the common shares of funds included in the Index rather than in individual securities.

As of November 1, 2019, the PCEF fund had approximately \$770 million in total assets allocated across 136 individual holdings. The fund's top five holdings represent just 12.6% and the top 25 holdings account for less than 45% of total assets. PCEF share price rose more than 17% since its 52-week low in late-December 2018. With a 7.21% forward dividend yield, the fund delivered a 13.2% total return over the trailing 12-months.

This list of 5 Monthly Dividend ETFs above ranks the funds solely by their current forward dividend yield. Investors should conduct their own due diligence to confirm that the various funds' other metrics, such as share-price trend, payout ratios, long-term and short-term total returns, etc., support their portfolio strategies and choose their investment equities accordingly.

10 Monthly Dividend Stocks to Buy to Pay the Bills

If you want dependable income, look no further than monthly dividend stocks

Editor's note: "10 Monthly Dividend Stocks to Buy to Pay the Bills" was previously published in July 2019. It has since been updated to include the most relevant information available.]

I like making money in the stock market, but I love [dividends](#). You see, the problem with capital gains is that to actually enjoy them, you have to sell your shares. The beauty of dividend stocks is that you get to enjoy the fruits of your investment without having to actually sell anything. Think of it as milking a cow rather than killing it for meat. Which sounds like the better long-term plan to you?

Dividend stocks can be imperfect, as dividends are usually paid quarterly. This problem with this is that most of our expenses tend to be monthly, so when you depend on dividends to pay your bills, there is always something of a disconnect between your income and your expenses. This can make budgeting something of a challenge.

Thankfully, monthly dividend stocks do exist, and there are actually quite a few of them out there.

We're going to look at 10 solid monthly dividend stocks to buy. Many of these names are popular among income investors, but others will almost definitely be new to you. Importantly, all have a long history of taking care of their shareholders with consistent monthly dividend checks.

Monthly Dividend Stocks:

Realty Income (O) Div. Yield: 3.75% Type: Commercial REIT

Realty Income Corp (NYSE:[O](#)) styles itself as [“the Monthly Dividend Company,”](#) and frankly, this conservative retail real estate investment trust (REIT) deserves the title of king of the monthly dividend stocks. Realty Income has paid its investors like clockwork for 585 consecutive months and even *raised* its dividend for 86 consecutive quarters.

A stock is always going to be considered more risky than a bond, but Realty Income is about as close to a bond as you can realistically get in the stock market. Its cash flows are backed by long-term leases to high-quality tenants. Its properties are generally high-traffic retail sites that are mostly recession proof and “Amazon.com proof.”

Stag Industrial (STAG) Div. Yld: 5.1% Type: Industrial REIT

Stag Industrial (NYSE:[STAG](#)) is a small-cap REIT that I have had in my portfolio for several years, but it’s a REIT that most investors have never heard of. “STAG” stands for “single tenant acquisition group,” and that pretty well sums up its business model. STAG acquires single-tenant properties in the industrial and light manufacturing space. A warehouse or small factory would be a typical property for the REIT.

STAG has enjoyed explosive growth since it went public in 2011. And unlike a glitzy hotel or office building, STAG’s gritty industrial properties don’t require a lot in terms of maintenance and upkeep.

At current prices, STAG yields a little above 5%, which is a respectable yield for a REIT these days.

LTC Properties (LTC) Div. Yld: 4.67% Type: Healthcare REIT

Among monthly dividend stocks, few have better demographic prospects than health and senior-living REIT **LTC Properties Inc** (NYSE:[LTC](#)).

In case you couldn't immediately figure out what LTC does, take a good look at its stock ticker symbol. "LTC" is short for "long-term care," and that's exactly what its tenants provide. Substantially the entire 200-plus-property portfolio is invested in skilled nursing and assisted-living facilities spanning 30 states.

Health and senior living aren't exactly the most exciting markets, but they have stable and growing demand due to the aging of the baby boomers. Over 10,000 boomers turn 65 every single day, and this generation will need more and more health services with each passing day. So, demographic trends are definitely on LTC's side.

LTC sports a dividend yield approaching 5%. And while that's not mouthwateringly high, it's not bad considering the low yields available in the bond market.

EPR Properties (EPR) Div. Yld: 5.91%, Commercial REIT

This list is getting a little heavy in REITs, but I'd like to add one more to our list of monthly dividend stocks: alternative retail REIT **EPR Properties** (NYSE:[EPR](#)). As with LTC and STAG, EPR's name is an acronym that stands for "Entertainment Properties."

EPR specializes in quirky, nontraditional assets, including properties like golf driving ranges, movie theaters, water parks, ski parks and private schools. But it is this quirkiness that makes EPR so attractive.

Think about it. You have to have specialized knowledge to successfully invest in these sorts of properties, and very few managers have it. This gives EPR a competitive advantage and allows it to grab higher yields than it would normally find in more traditional properties.

But at the same time, the strangeness of the portfolio also tends to be a turn-off to a lot of money managers accustomed to analyzing apartment or office REITs. This has a way of depressing the share price and giving us an attractive entry point.

In addition to its high yield, EPR has value as a portfolio diversifier. The prices of driving ranges or movie theaters are not tightly correlated to those of apartments or office buildings.

Vereit Series F Preferred Stock (VER-PF) Dividend **Yield: 6.54% Type: REIT Preferred Stock**

I'm going to go a slightly different direction here. I'm going to recommend another REIT, sort of. In addition to their regular common stock, REITs often fund their expansion projects with debt and with preferred stock. If you are unfamiliar with the asset class, preferred stock is something of a hybrid between a common stock and a bond.

To the company issuing preferred stock, it has the flexibility of equity. If you miss a dividend payment, your investors might get angry, but there isn't much they can do about it. But if you miss a bond payment... well, at that point you are in default, and your creditors start circling like vultures.

But while preferreds look like equity to the issuer, they look a lot more like bonds to the investors. Investors receive a fixed dividend and rarely get much in the way of capital gains.

This brings me to the **Vereit Series F Preferred Stock** (NYSE:[VER-PF](#)). **Vereit** (NYSE:[VER](#)) is a triple-net retail REIT that's fairly similar to Realty Income. But I'm not recommending the common stock today, but rather the preferred. VEREIT's preferreds pay an attractive yield, paid monthly.

You're not likely to get much in the way of capital gains here, but you're definitely getting a consistent monthly income stream. And if you're in or near retirement, that's exactly what you need.

Main Street Capital (MAIN) Dividend Yield: 5.57%

Type: Business Development Company

You've probably had your fill of REITs by now, so let's jump into a different asset class that includes monthly dividend stocks: business development companies (BDCs).

The best thing that ever happened to BDCs was the collapse of the banking sector in 2008. This created a vacuum that BDCs were more than happy to fill. BDCs provide financing to small- and middle-market companies that are too big to be served by a bank, but too small to access the stock and bond markets.

BDCs are a lot like REITs in that both have special tax advantages. Neither BDCs nor REITs are required to pay federal income taxes so long as they pay out the bulk of their earnings as dividends. So, both sectors pay above-market dividends, making both very attractive to retired investors.

With that as background, let's take a look at **Main Street Capital Corporation** (NYSE:[MAIN](#)), one of the best-run BDCs in this space. MAIN makes both equity and debt investments in the companies in its portfolio, and most of its investments are in the fast-growing Sunbelt region of the country.

At current prices, MAIN pays a regular dividend in the 6% neighborhood. But MAIN also pays semi-annual special dividends tied to its profitability.

Prospect Capital (PSEC) Dividend Yield: 10.91%

Type: Business Development Company

Let's throw in one more monthly-dividend-paying BDC, **Prospect Capital Corporation** (NASDAQ:[PSEC](#)). Rather than pay a lower regular dividend that is topped up with periodic special dividends, Prospect pays out substantially all of its earnings in its regular monthly dividend.

This has gotten the company into trouble in the past, as the company has had to cut its dividend. So while Prospect's 10.91% yield is enticing, this is a slightly riskier BDC than Main Street.

All the same, PSEC is an interesting buy at today's prices. I'm also impressed by the fact that company insiders own 17.4% of its stock.

High levels of insider ownership or buying by no means guarantee that a stock will perform well. But it definitely incentivizes management to work in the best interests of the shareholders, as a large piece of their net worth depends on their success.

Eaton Vance Limited Duration Income Fund (EVV)

Dividend Yield: 6.73% **Type: Closed-End Fund**

I see inflation staying relatively muted, and it's hard for me to see inflation really roaring to life. All else being equal, low inflation should mean low bond yields for a lot longer. But let's say I'm wrong. It's never a bad idea to hedge your bets with some exposure to floating-rate securities. And that's where the **Eaton Vance Ltd Duration Income Fund** (NYSEMKT:[EVV](#)) comes into play.

EVV is a closed-end fund that owns a diverse basket of income investments with only modest interest rate risk. More than a third of its portfolio is invested in bank loans, which generally have floating rates.

So if rates rise, so should the interest income that EVV receives from its bank loan investments. The rest of the portfolio is invested primarily in short-duration bonds and asset-backed securities. At current prices, you're not likely to get rich quick in EVV, but if you're looking for a reliable monthly dividend with the potential for modest capital gains, then this is a solid choice.

Cohen & Steers REIT and Preferred Income Fund, Inc. (RNP) **Dividend Yield: 6.76%** **Type: Closed-End Fund**

I've had a lot to say about REITs in this article, which makes sense. REITs are some of the most consistent income producers out there, and the REIT sector is fertile ground for monthly dividend stocks. Well, I'm going to give you a slight variation on a theme here with the **Cohen & Steers REIT and Preferred Income Fund** (NYSE:[RNP](#)), a closed-end fund that trades in REITs and preferred stock.

RNP's portfolio is split between REITs and preferred stock. The preferred stock allocation gives it a little more interest rate risk than the other stocks in this list, but I'm OK with that. We're more than compensated for that risk with the dividend.

UBS ETRACS Monthly Pay 2x Leveraged Mortgage REIT ETN (MORL) Div. Yield: 21.6% Mortgage REIT ETN

I've spent a good part of this article writing about REITs. Well, for my last recommendation, I'm going to recommend their close cousin, mortgage REIT UBS ETRACS Monthly Pay 2xLeveraged Mortgage REIT ETN (MORI)

Whereas equity REITs own real property like buildings or land, mortgage REITs own mortgages and mortgage derivatives. In a nutshell, mortgage REITs borrow money at short-term rates and then invest it in higher-yielding mortgage securities, making money on the spread.

For the past several years, most of the mortgage REIT sector has been trading at a discount to book value. That's unusual for this sector, however, as it tends to trade at a pretty substantial premium. Investors are generally willing to pay up for the high yields.

I'm going to recommend you take advantage of that pricing by buying the **UBS ETRACS Monthly Pay 2xLeveraged Mortgage REIT ETN**(NYSEARCA:[MORL](#)), a leveraged exchange-traded note that gives you double the price movement and double the yield of the mortgage REIT sector. MORL pays its dividend monthly, and it yields around 21.6%.

Suredividend.com

Dividend Packages

Screening to find the best Dividend Kings is not the only way to find high quality dividend growth stock ideas.

Suredividend.com maintains similar databases on the following useful universes of stocks:

The Dividend Aristocrats: S&P 500 stocks with 25+ years of consecutive dividend increases.

The Dividend Champions: stocks with 25+ years of dividend increases, including stocks that may not otherwise qualify as Dividend Aristocrats.

The Dividend Contenders: 10-24 consecutive years of dividend increases.

The Dividend Challengers: 5-9 consecutive years of dividend increases.

The Dividend Achievers: dividend stocks with 10+ years of consecutive dividend increases.

The Complete List of High Dividend Stocks: Stocks with 5%+ dividend yields.

The Complete List of Monthly Dividend Stocks: our database currently contains more than 30 stocks that pay dividends every month.

The Sure Dividend Blue Chip Stocks List: our list of “blue chip stocks” is a combination of our Dividend Kings, Dividend Aristocrats, and Dividend Achievers lists.