NEVER RUN OUT OF MONEY IN RETIREMENT

Get Safe And Smart Retirement Income From The Best Dividend Stocks

DIVIDEND STOCKS RESEARCH

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Never Run Out Of Money In Retirement

The Smart Way
To Get Safe Retirement Income
From Top Performing Dividend Stocks

Here's how cautious investors pull in regular current income that shows up like clockwork …

income from dividend stocks let them enjoy their days of retirement, and always get a good night's sleep.

"*Investors are opting for dividend-paying shares instead of growth stocks, reflecting concern over the recovery.*"

Wall Street Journal - April 7, 2014

Collect Checks Cut Like Clockwork

Do you EVER plan to retire? Or are you already retired?

If retirement is on your radar, I've got no doubt you're working hard to make sure you *never run out of money* in retirement…

You're probably taking care of the basics.

Saving as much as you can… Budgeting carefully… And taking a thoughtful, cautious approach to your investments.

But times have changed… If you're within 10 years of retirement (or already retired), than you know you need something very different with your investments.

Years ago, the goal was growth. And capital appreciation was more important than income.

But now that your focus is on a retirement… and never worrying about running out money… **you must look at your investments differently.**

For many investors, this means a shift in asset allocation.

More money in income investments - and less money in growth investments. It's a well-known strategy.

But what about Dividend stocks? What role do they play?

You see dividend stocks can provide income… but some provide growth too! If income is important you, then you're looking for something specific. You need safe, predictable income giving you the growth of the market without all the risks. For many, dividend stocks make perfect sense.

Dividend stocks have made sense for millions of smart investors for more than a century… and they might make sense for you.

In the next few minutes you'll discover:

- How to make sure you make good decisions on dividend stocks
- The best way to find dividend stocks that make the most sense for your portfolio
- How to know you're buying these stocks at a good price

- How to avoid the dividend stocks that look too good to be true
- Where to find the safest and most secure dividend stocks

… and much, much more.

A Long History of Safety

Like most investments, dividend stocks drift in and out of fashion. There are periods when people are attracted to growth stocks – months, even years when the market showers growth investors with attractive rewards.

There are other periods when growth is out of favor… investors become skittish.

Economic uncertainties cause many to question growth stocks and their performance. They then turn to the safer opportunities dividend stocks provide.

You might ask, "Isn't there always economic uncertainty?"

Clearly there is. But no matter what the economic outlook might be, investor sentiment comes into play.

Emotional reactions constantly impact the market.

They are reactions that often have nothing to do with a stock's fundamental performance or its value, and these shifting sentiments have enormous bearing on valuations.

Dividend stocks provide investors with a shield against this moodiness of the market. When there is a down drift, dividend stocks tend to hold up better. When the rising tide lifts all boats, dividend stocks increase their value.

The simple reason why is safety.

The safety that comes with a regular consistent payment from the company to its shareholders. Because growth stocks often don't pay dividends, all a growth investor looks for is capital appreciation, the increase in the trading price of the stock… and the hope to sell a stock for more to *someone* later on…

Dividend stock investors look for this capital appreciation as well.

But they don't expect, or actually need, dramatic stock price growth. This is because they have a second way to make money.

Regular, consistent dividend payments.

What is the source of a dividend stock's safety? How does an investor feel comfortable knowing that dividends will be paid, and over time, will actually grow?

In a world where investment decisions can become very complex very quickly, there is a simple answer to this question.

Historic performance.

Safety Doesn't Always Show Up Where You Expect It

Performance matters.

Investors who need reliable income, and depend on a stock to deliver income during their retirement years, don't want to hear about a company's rosy future.

They want to see a track record.

They want to know that dividends will be paid, even when the firm goes through a rough stretch.

When a company can show an investor it has been able to weather financial storms in the past, it clearly makes a more credible case for being able to confront the challenges of the future.

For an investor to be certain of this, there must be years of proof of financial performance. And this proof appears in black and white when we look at a company's history of paying dividends.

The types of companies that pay dividends tend to be older, and more mature in terms of their competitive position. This doesn't mean they are not continuing to grow their market share, their revenue, and profits. But in most cases the company is not forced to reinvest a majority of their earnings in growth.

A promising new biotech company needs to fund research and development. Chances are a well-run company like this is better suited to a younger investor pursuing growth and capital appreciation through an increase in the stock's price.

An established company that's been selling the same products for years, and doesn't have to invest heavily in its future, is in a position to use a significant portion of its profits to pay dividends.

But being established and big isn't a guarantee of long term success.

Companies that have been around for a long time do not automatically qualify as good dividend stock investments.

Look what happened at GM. General Motors didn't exactly shock investors when it stopped paying dividends in the summer of 2008. The company had been in trouble for years, after decades of rewarding investors with consistent and growing dividends.

Even between 1997 and 2005, long after its once dominant U.S. vehicle market share had been ravaged by imports, GM kept up a brave face. It paid a dividend of fifty cents a quarter.

But you can't put on a brave face forever. In the winter of 2006, the dividend was cut in half. Two years later, it vanished altogether. GM would struggle for another six years before it started paying dividends again in the winter of 2014.

It's a lesson investors need to keep in mind…

Where To Start Your Search For Safe Dividend Stocks

When a mature company like GM stops paying dividends, what's an investor to do?

First, remember that dividends are never guaranteed. Approach dividend stock investments just like you would approach any investment. Minimize your risk, do your homework, and as best you can, understand the true value of the company you invest in.

Look for stocks that already deliver a track record of consistently paying dividends, and consistently grow the amount of the dividend.

A leading source of this information is the S&P 500 Dividend Aristocrats. This is a lineup of companies on the S&P 500 that have increased their dividend payouts for at least 25 years in a row.

The aristocrats include companies like 3M, Coca Cola, and Procter and Gamble.

But Aristocrats don't make guarantees.

What they do make is a strong case for safety, because of their long track record of performance.

Companies in this family of Aristocrats come and go. For example, after a dividend cut years ago, AT&T was added back into the fold in 2012.

Investors who do nothing but buy these aristocrats will usually do fine. But because they are considered so safe, these stocks can be expensive. Their price comes with a premium. And the yield of the dividend, the percentage return, is typically modest.

People who want their dividend stocks to work a bit harder, and pay a bit more, will usually look beyond the Aristocrats.

This means venturing into higher yield dividend investing.

Clearly, a stock that you buy for $40 and pays a $2 dividend is more attractive that an $80 stock that pays a $2 dividend.

This is where dividend investing gets interesting.

It's where risk and reward take center stage. It's where an investor can balance a portfolio of well known Aristocrat stocks with some lesser known companies that are well positioned to deliver consistent dividend payments and dividend growth.

This is why an investor needs to know exactly what to look for to steer clear of trouble in the highly rewarding world of higher yields.

How To Avoid The Trap Of High Yields

Dividend investors are typically focused on yield.

Yield is simply the percentage return they can expect to be paid on their investment in a stock. Naturally, this means that the high yield stocks look tempting.

But common sense suggests that if the yield of long term performers like 3M and Coca Cola are in the 2.5% to 3.5% range, **there's something out of tune with dividend yields that are 20% or higher.**

Be cautious with any stock that pays a high yield. It could be a disaster waiting to happen. A high yield is not a reflection of strong financial performance.

A company can pay a high yield without generating a profit.

And the high yield a company pays this quarter could be slashed in the next quarter.

So how do you separate the incredible deals from the death traps?

Here's how to stay out of trouble. Here's how to avoid a situation where a stock like GE with a dividend yield of 14% in 2009 pulled the rug out from under investors when it slashed its dividend.

Or when GM suddenly stopped paying dividends in 2006 after its yield hit 10%.

Study the firm's dividend history. Look for consistency. Look for growth in the actual amounts of the dividends paid.

When you see a company that has suddenly paid a large dividend after years of paying small ones, this could be an attempt to cover up other problems.

Find out if the company paying the dividend is an actual company or a trust.

Avoid trusts, because a trust will go away at some point. The actual entity will be dissolved.

Another thing to do is look at the payout ratio. This number reflects the percentage of the company's earnings paid as a dividend.

The lower the payout ratio, the better.

It could be that the high yield you see means the company is actually putting a huge portion of its earnings into a dividend… and that's never a good thing. Remember, money used to pay dividends can't be used to pay down debt, build up a war chest for future acquisitions, or internal expansion.

That brings us to an important part of dividend stock research…

Five Important Questions Every Dividend Investor Must Ask

1. Will management keep its promises?

The strategy that guides the performance of a company does many things. One of them is to provide a framework for financial performance. This allows the people running the company to allocate their resources in a profitable and predictable fashion.

This means the financial sources for dividends are always known. In the event of a disappointing quarterly earnings report, there may be a reserve that allows the dividend to be paid.

The firm's management should be expected to keep the promise it has made to shareholders. This means that storms are weathered. 3M has paid dividends consistently, and has increased them quarter after quarter, since 1959.

P&G has been paying a dividend for 124 consecutive years, and has increased its dividend for 58 consecutive years!

2. Will the increase in the dividend payment be as forecast?

The best way to answer this question: look at the history. Some companies are predictable to the point of being boring. Others are erratic, and difficult for analysts to understand.

Knowing how solid, stable, and steady a company is goes a long way to generating great cash flow from dividends.

3. Will earnings fall?

Falling earnings do not always mean a dividend payment will be cut. But the two often go hand in hand. And if earnings continue to fall over consecutive quarters, the dividend will sooner or later be put at risk.

So watch the financials of dividend paying companies like a Hawk. If you see quarter after quarter after quarter of losses, you might think twice about making that investment!

4. If earnings do fall, how will it impact the dividend?

If the company continues to pay a dividend, even though earnings are falling, what is happening behind the scenes?

Is Peter being robbed to pay Paul?

Are important investments in research and development put at risk? Will the firm be able to pay the salaries that attract the best talent?

These answers are not always easy to come by. But if today's dividends get in the way of tomorrow's growth, this can easily foreshadow trouble for future dividends.

5. Is capital growth expected and to what extent?

Most investors in dividend stocks aren't looking for much in the way of capital growth. They don't expect the stock price to increase much. While the percentages can vary from year to year, it is not difficult to find examples of how dividend-paying stocks actually outperform the overall market.

The expectation of capital growth shouldn't be overlooked by dividend investors.

So there you have it, five key questions you need to ask before even thinking about investing in a dividend stock.

Now, where can you go for more information?

Get More Advice About Dividend Stocks

History proves it.

Dividend stocks are a safe and smart investment for people who need dependable retirement income.

But there is always the question of which dividend stocks are the best investments. Which ones will reward investors with both a consistent stream of growing income, and the added benefit of a rising stock price?

Which stocks are simply too expensive, and which ones are attractively priced?

How aggressive can you be going after a high yield without getting in trouble, and how can you build a high performing portfolio of dividend stocks by balancing yields?

Our goal is simple... To make DividendStocksResearch.com the single most useful and trusted online resource for dividend investors.

If you're looking for up to date information on these or other dividend related questions, please visit DividendStocksResearch.com.

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