# How We Plan To Retire on Dividends

# 2

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# How We Plan to Retire on Dividends 2

**The Intermediate Guide to Passive Income Living**

## THE MAGIC OF



## INVESTING FOR DIVIDENDS



## HOW TO START DIVIDEND INVESTING



## BECOME A BONAFIDE INVESTOR

## VERSUS SERIES



## INVESTING BOOK TAKEAWAYS




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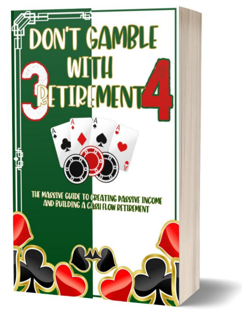


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## INTRODUCTION


## 01 How We Plan to Retire on Dividends 2

The world runs on dividends and love. Well, I just made that up, but **MY world runs on dividends and love**. I wrote the article "How We Plan to Retire on Dividends" roughly five months ago, and a lot has changed since then.

Actually, everything is the same, just the amount of passive income from dividends has increased—by a lot. The month that I wrote the first article, we received roughly $200 in dividend income. Last month, we received $550 in dividends.

The moral of the story is to keep focusing on your dividends, and the results will speak for themselves. Watching our dividend portfolio grow has been a breath of fresh air. We are still in the workforce, but soon (4-8 years), we will be relaxing on the beach, enjoying our dividends.

The first article was a collection of all the investing pieces I had written over the prior five months. Well, I will continue that tradition and round up all the recent investing articles and put them in one lovely spot for you.

Even better, I am going to collect them together in a book and release it for free. You should see a link to it above this paragraph. Go ahead and grab it, read it, and start building your dividends today.

Growing a dividend portfolio will teach you patience and the importance of compounding. In our first month of dividend investing, we earned $0.03. To go from that to $550/month is absolutely insane. And we are just getting started. I plan to keep writing about dividends and our story until the end. So one day, I will write an article titled "How We Retired on Dividends!"

With no further ado, let's get into the investing articles that could change your life. And don't forget to grab part one, which is more focused on beginners. Enjoy!

## INVESTING MINDSET

Having the proper mindset for investing is the most crucial aspect of becoming a successful dividend investor. If you aim for huge capital gains or overnight income, you are in the wrong place. Everyone should know "Why They Need to Invest in the Stock Market." Having an overall vision of your life, goals, and dreams is vital to long-term investing success.

My wife and I have been living frugally for a while now. Since dividends are guilt-free money, we decided to spend $1,000 on a dividend shopping spree. We planned for this to take place on Black Friday; however, it will be hard to spend this amount of money. We just aren't used to spending this type of cash on ourselves.

Investing is especially difficult for women because of the unknown. Most women are security-focused, and investing removes a layer of security from the investor. I wrote an article titled "The Woman's Guide to Investing" that I hope can assist you through the early stages of investing. The key is only to invest the amount you feel comfortable with at first.
A lighthouse brings in ships through bad weather and foggy nights. Dividends can do the same through rocky and unknown times of retirement. Let dividends be your lighthouse to guide you when things go sideways through retirement. It's good to have income outside of fixed sources.

I started the Cash App dividend challenge to help new investors learn how to invest cash daily into the markets. Over time, you can build significant wealth by just investing small sums of money. After 52 weeks of the dividend challenge, my portfolio is paying $100 in dividend income. Not too shabby.

Everyone believes that we are heading for a market crash soon. Maybe, maybe not; however, I can promise you there will be a crash sometime soon. As investors, we always have to prepare for the next bear market by using defensive investing, hedging, and keeping cash on the sidelines.

Fall is an excellent time of the year; it's even better when you are flush with dividends. There is no better time to FALL into investing than the autumn season. If you begin this year, by this time next year, you can reap the benefits of dividend investing by next Christmas.

## INVESTMENT PLANNING

Having a considerable dividend growth investing (DGI) portfolio can bring you a significant sum of dividend income. However, using options, you can safely increase your income by selling covered calls or cash-secured puts. Here are the five benefits of options trading.

If you are a younger investor, cryptocurrencies are all the rage right now. But don't forget about stocks. Stocks and cryptos, when used together, can be powerful allies and can make you rich.

Income investing is different than dividend growth investing. Some of the high-yield securities that I use in my income portfolio are business development companies, closed-end funds, and real estate investments trusts. Together, these securities give you income today to invest for tomorrow.

Dividend growth investing uses dividend-paying blue-chip stocks to build a portfolio that will compound on itself until you are rich. The concept is to buy these companies as they increase their dividend payments, the stock price rises, and you reinvest the dividends. Many people have become rich this way. Here is a list of my favorite 24 blue-chip stocks.

**THE MAGIC OF**

The magic of dividends is that they are guilt-free money. You are free to spend them as you wish because you know you'll be getting another payment very soon. Having a stable of dividends can be very addicting indeed.

Index funds may get a bad wrap from the DGI crowd. However, the magic of index funds is that they can provide your DGI portfolio with the growth element to keep up with inflation. As your blue-chip slowly grows, index funds can accelerate your portfolio's growth, along with the overall stock market.

I never understood the fascination with Roth IRA until I had an idea. I could use my Roth IRA to grow my index funds tax-free. Then, when I hit age sixty, I can build an income portfolio with all of my Roth cash and get all my dividends tax-free. I get a high-income dividend portfolio that pays tax-free cash flow—that's the magic of a Roth IRA.

The magic of dividend growth investing lies in its simplicity. You pick the best blue-chip companies, schedule auto investments, and let the power of compounding create you an income powerhouse. It seems simple; it is simple.

The magic of income investing lies in its complexity. You pick outstanding high-income securities that pay you colossal cash flow. Your cash flow builds up, and you redeploy your dividends into more high-yield securities. Rinse and repeat until rich.

**INVESTING FOR DIVIDENDS**

The Investing for Dividends series covers some unique aspects of becoming a dividend investor. I covered some great topics over the last few months. I talked about the importance of index funds to your dividend portfolio, the various ways to extract your dividends, and the pros and cons of dividend ETFs.

## HOW TO START DIVIDEND INVESTING

Getting started with dividends is the most challenging part of the entire process. Once you have a game plan, it is pretty simple to auto-invest your money into the correct portfolios. But, you have to start somewhere, and that's why I created the How to Start Dividend Investing series.

Over the last few months, I have covered; how to find your "why," setting tiny goals, picking the platform that fits your needs, and how to choose your stocks. Hopefully, there is enough to get you heading down the right path.

## BECOME A BONAFIDE INVESTOR

Becoming a dividend investor is incredible, but you have to understand the larger investing landscape to be truly successful. There are so many outside influences on our stocks that we need to know how they affect stock prices.

We need to understand what we can control as either an insider or outsider, how to recognize inflation, prepare for inflation, the value of commodities, and why we should leverage gold and silver. These are just the start of some of the influences on the stock market performance.

## VERSUS SERIES

I spent a lot of time comparing various investment vehicles over the last few months. As investors, we only have limited amounts of cash to invest, so we need to make the best decision.

We can invest in multiple things, so having a comparison can help us decide what's best for our current situation. What's best now may not be what's best for our entire future. We need to be flexible and educated.

Here are some of the verses articles I wrote over the last few months; "Dividends vs. Royalties 2," "Inflation vs. Dividends," "Annuities vs. Dividends," "Preferred Shares vs. Closed-End Funds," and "Dividend Growth Investing vs. Income Investing."

## INVESTING BOOK TAKEAWAYS

It's hard to believe that I only read two investing books over the last five months. I think I focused on reading about my book business. Anyways, "Covered Calls for Beginners" gave me an inside look at how to safely profit by selling covered calls on top of my DGI portfolio.

“Mortgage Backed Securities” are investments vehicles the average investor can leverage to profit from Mainstreet mortgages. MBS are relatively safe, and you will mainly have to worry about interest rate shock.

**CONCLUSION**

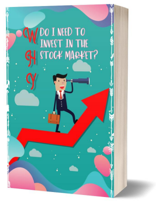
It has been a great five months, and I have learned a lot about dividends. I have focused more on my income portfolio because my DGI portfolio is in auto-pilot mode right now. I am proud to offer this book for free. Please download a copy now.

My next investing article will be the first to go into part three of the series. So, hopefully, I will see you in five months (or sooner). If you want to read more from me, follow me on Twitter or my Facebook Page. Enjoy and Happy Investing.

## INVESTING MINDSET


### 02 Why Do I Need to Invest in the Stock Market?

Let me start by saying that I understand that you are afraid to invest in the stock market. I get it entirely, and I have been there before as well. You work so hard for your money, and you fear that investing in the stock market is too much risk to handle.




## Why Invest in the Stock Market?

You wouldn't be wrong for thinking that the stock market is risky. Everything we do in life has some inherent risk, from driving on the freeway to flying in an airplane. The way we continue to travel through risky situations is by mitigating risks.

I will gear this article towards the large segment of people who have never invested in the stock market and do not even know people who have invested. When I started investing, I had never heard of passive income, dividends, and electronic traded funds.

With so much information floating out there, it can be challenging to navigate the truth. Plus, many people producing content also have an underlying motivation to sell you their investment products. I give all my content away for free. I also put it in a book format for avid readers. I have nothing to gain from teaching you to invest in the stock market, only your gratitude.

First, the most crucial part of investing will be your mindset. A few months ago, I wrote an article called "Build the Mindset of an Investor," which talked about staying calm through hard times. I need to become even more profound today.

We need to build a "**why**" to invest so strongly that it takes over your life. If you have watched the movie "Inception," where the idea takes over the man and his life, this will be similar. Once you have a purpose of investing, it will overcome everything and assist you in making sound decisions.

Many of you are living paycheck-to-paycheck—I've been there. You may believe that only rich people invest in the stock market or that you don't have all the information available. One of my rules is, "You do not invest in the stock market to become rich."

You see, the mindset of most people is to get rich by investing in the stock market. This lust can lead them to make bad choices because they are chasing substantial capital gains. I do not believe that we should invest in the stock market to become rich. The stock market is not a wealth generator. Some true wealth generators are business, real estate, and the military.

The idea is to become rich using your wealth generator and then invest those proceeds into the stock market. So this begs the topic question, "Why Do I Need to Invest in the Stock Market?" The answer is that you cannot allow your money to sit still. If you can grasp this concept, you will understand the importance of investing.

First, let's talk about work and investing. If you decide to invest, you will be creating a "shadow" of yourself that begins to perform some of your work for you. The shadow also starts to get paid and contribute to the household and investments. Let's name your shadow Billy.

Now, Billy the Shadow starts small, like a baby. When you begin investing in dividend-paying stocks (we invest for income), Billy will begin to bring in some cash per month. The more income you feed Billy, the bigger he becomes. Eventually, the goal is to get Billy to become big enough to pay for all your bills and living expenses. At this point, your child is a man and can provide for you and your family.

Now, since Billy eats income, the more you feed him, the faster he grows. If you are working a job and providing him small amounts of income, he will grow slowly. That is why most people wait to retire until 65, even then Billy is not big enough to provide for them completely.

But what if Billy the Shadow had a sister who specializes in business and a brother who specializes in real estate? They would also help you feed Billy income. How long would it take for you three to feed Billy enough income to make him full grown? This teamwork is what we call diversifying our passive income.

Now, you have a family of four: You, Billy, sister business, and brother real estate. When you want to retire fully, you may only want to keep Billy around and let the others go off and get married to someone else. In essence, that is why we invest in the stock market.

The stock market, when fully funded, will allow us to have a completely passive lifestyle—no worrying about real estate, business, or a job. I envision myself keeping my companies and real estate, but the important thing is to have the choice.

Ideally, you will want to start building up your investments (Billy) in your 20s, 30s, and 40s. Investing is best when combined with time because time allows the power of compounding to work its magic.

There are other reasons to invest, such as beating inflation, but those side reasons act more as an additional benefit. The main reason will be how you view your retirement lifestyle. If you want to be cooped up in a small house or apartment living off your $1,000/month social security check paid on the 3rd of the month, go ahead. Have at it.

My wife and I have seen this life play out multiple times as landlords. Many of the elderly tenants we had, lived extraordinary lives of wealth and adventure. Only they did not grow Billy, and now they live paycheck to paycheck.

They usually have money for about a week before being broke again. If that is the life you want to live, please go ahead. However, something tells me you are different from the large number of Americans who live this way.

Now, you will need to reflect on how you view your future. Where do you see yourself and with whom? Let the answers guide you. Don't worry about only investing $100-200/month. You will get there.

Building passive income is one of the most addicting things you can do for yourself. It'll start slowly, and then you will begin to see massive results. As your money compounds, your thirst for more passive income will compound as well.

Self-education compounds just as fast as your dividends. Your mind will start to connect the dots on specific ideas and courses of action. You will understand the concept of a wealth generator and the truth about discretionary income. You will know why saving money is bad, and how to invest your cash.

But you will need to start somewhere. Luckily, I have been documenting my journey and created an in-depth guide on how to start. "How We Plan to Retire on Dividends" is a great place to begin your journey and is also in book format.

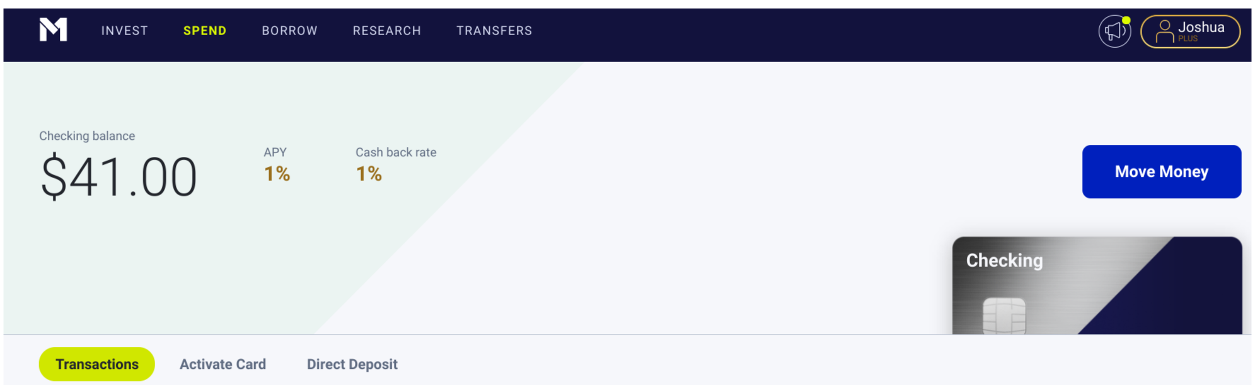
I genuinely wish you well on your journey. Be someone who thinks on their own, exercises JOMO, and lives for today **AND** tomorrow. You will be surprised at how fast you can turn your circumstances around. Good Luck!


**03 $1,000 Dividend Spending Spree**

My wife and I rarely spend much money on ourselves. We have never been the type just to go out and spend a ton of money out of nowhere on stuff that means nothing. But, ever since we began our journey to financial freedom, we have become even tighter with our spending.


[**$1,000 Dividend Shopping Spree**]

If you gave me $1,000 today, I would invest $1,000 tomorrow. I wouldn't even contemplate spending a dime on something I wanted. To be honest, there is nothing that I want. Yesterday, I received a $32 dividend from Altria (MO) on my Cash App debit card, and I keep telling myself I will spend it on something. Yeah right.




But, this year, I am making a goal to spend some money on myself. It all started when I opened my M1 Finance spend account that comes with a metal debit card. I then transferred $41 from my current dividend to have some cash on hand when I get back to America in a couple of weeks.

Sustainable Riches: Return to Earth. Make Green.

It got me thinking, though. What if I put some more money into that account over time? I finally concluded that I want to get $1,000 into that account. Better yet, all of the money will come from dividends. Finally, I will spend all the money on Black Friday or during the Christmas season.

For years I have been telling myself that I would have a mini-spending spree on Black Friday, and it never comes to fruition. It is hard being responsible for so many people, houses, and scenarios, to actually spend money on oneself.

But the time has come to enjoy all that we have worked hard for. My wife and I have been stationed apart from each other for over a year. We have put this time to good use by paying off all of our debt, starting a blog, a Facebook group, creating an eBook series, writing 1000+ words a day, refinancing 2 of our homes, and building a $200,000 (in a few months) dividend portfolio. All on top of raising two amazing boys and keeping up with family and friends.

So yes, it is time to enjoy some of our cash. But, I want it to come from dividends because that is how the rich spend their money. We could quickly grab the money from the earned income from our jobs, but that won't be the best way to finish. The best way to spend will be to invest all of our earned income and spend the money that our investments pay us. That is what I have learned after reading my 54 books this year.

How to Start Dividend Investing 102: Set Tiny Goals

**The plan.** The plan is to collect up dividends from all my accounts and funnel them into my M1 Finance spend budget. Last month, I made $350 in dividends from my accounts, so I should be able to direct at least $150 into my M1 Finance every month while reinvesting a lot as well. That is the power of dividends; they give you options on how you want to spend them.

**Two issues.** There are two issues I foresee preventing me from achieving my goal.

1) First, I am going home for the first time in one year in about two weeks. It will be a romper room when I get home, as my spending will be out of control. I will be home for two months, so hopefully, I will still have enough to collect into M1 Finance.

Active Service, Passive Income- Includes Free Pdf Book

2) Second, it will be pretty easy for me to collect up my money, even with my trip home. However, I opened an M1 Finance spend account for my wife as well. And, we gave her the same goal. Her dividends produced about $150 last month, so we will have to double down to get her to $1000 by November.

So the goal is really $2,000 because it is $1,000 for each of us. Yes, we could easily get this money from rents, and maybe towards the end, we will grab a few hundred from rents. However, the intent is to use dividends because it sounds cool.

**What I plan to buy.** I don't yet know what Kris intends to buy with her cash, but I will spend it on Nintendo Switch games. I haven't bought a game in a while because I haven't played my Switch in a bit.

However, I plan to gather $1,000 and go on a spending spree via Amazon and Walmart on Black Friday. I want to maximize my cash and get the most bang for my buck. I will keep everyone posted on my progress and my spending.

[Retirement Planning for the Average Person- Includes Free Pdf Book](#)

**Why dividends?** So why the fascination with dividends? Dividends are a guilt-free way of spending cash. You are spending money that your investments pay you, so the assets remain after you finish. They will pay you again either monthly or quarterly. Over time, your investments grow, and your dividends grow as well.

We have worked hard to build our portfolio to where it is now. I started with $0.23 in my first month, to $350 last month. And every month, we are investing $3,000 to $5,000 into the portfolio. We plan to do this for the rest of our lives.

Yes, it is time to enjoy our cash hoard. We are living the American dream of working hard and playing hard. However, our hard work consists of using our minds to create money from thin air. We have earned the luxury to spend some of our passive income from investments.

What about you? Are you interested in creating your dividend spending spree? Go ahead and bookmark my site or join my email list if you want to read more about dividends and enjoy some free books. Reading is the best thing you can do for your mind. Enjoy and Happy Investing.


## 04 The Woman’s Guide to Investing

Let me start by saying that I have been married for 15 years. I would want my wife to read this quick guide to investing if something should happen to me. I hope I do not offend anyone or offer up any gender stereotypes, as that is not my intention.

# The Woman's Guide to Investing

For the most part, there is a difference between how women and men value money for the future. If I had to put words to it, I would say that women like the security aspect of money. Men like the freedom aspect of money.

Sometimes these views can conflict with one another. For example, given $10,000, a woman may want to save this money in a high-yield savings account or a certificate of deposit. A man may want to put it all on a hot investment tip that he heard about at work.

Prepare for Inflation

As a man, I am constantly seeking the worst-case scenario or asking, "what's the over-under?" I understand that of all my investments; a couple may lose money or tank. But I value the big picture of my portfolio growing over time.

My wife has a different view. She always wants to make sure that we are debt-free—this helps her sleep well at night. In fact, everyone has different opinions on money. The book "Smart Couples Finish Rich" has some good exercises to assist couples in getting on the same page as far as retirement, investing, and wealth-building. I highly recommend this book to all couples.

Today, I specifically want to focus on the financial mindset of investing for women. I will review some of the particulars later, but I want to help you build **trust in the stock market**. When I ask most people about investing, most people (guys and gals) say something to the effect of "doesn't everyone lose money on the stock market?"

It is essential to understand that most people invest for capital gains. I invest for income; I invest for dividends (book). Capital Gains vs. Dividends is a hotly debated topic for the ages, but investing for dividends is "the long game."

When people invest for capital gains, they are attempting to get rich from the stock market. I do not believe the stock market will make you rich. The stock market is not a wealth generator—the best wealth generators are real estate and business. **Wealth is having excess income vs. expenses**.

Why Do I Need to Invest in the Stock Market?

What we want to do is create a wealth generator first. Then, with the excess cash flow, invest in the stock market. Now, we are making a good amount of wealth, and the stock market is helping us keep that wealth growing. The book "The Millionaire Fastlane" calls this funding your money system.

So before you invest tons of money into the stock market, understand the big picture. You want to find something to increase your income, lower expenses, and use the excess cash flow to fund your investment account. For example, if you begin renting rooms. That extra cash could go directly to your money system (investment account).

Hopefully, this helps you sleep better at night. I know many people who don't want to lose their hard-earned money in the stock market. I can honestly understand that. So we need to increase our cash flow with business or real estate. Investing will be the tip of the iceberg.

Diversify Your Passive Income

However, as we create our wealth generator, we can still take a little money and invest it. The intent would be for us to begin to feel comfortable with the stock market. My goal for you is to be able to invest $100 into dividend-paying stocks and index funds by the time you finish this book. You don't need a lot of money to start investing.

**The Basics of Dividend Investing**. Dividend investing is actually pretty simple once you learn what companies, stocks, and ETFs to invest in. You don't have to keep checking your stocks or worry about when to sell.

Dividend investing is like buying a rental property and holding it while you collect the rent. Over time, the rent will make you rich, and the house should grow in value. That is akin to dividend investing in a nutshell.

Receiving dividends every month is a fantastic feeling and hard to describe. My wife and I have amassed a $180,000 dividend portfolio and are growing it every month. Our goal is to have a $1 million portfolio five years from now.

**A quick side story**. I have been investing in my wife's dividend accounts for the last year. For her fourth brokerage account, I asked her to open a Cash App account. I helped her decide what dividend stocks to invest into this account.

Achieve Work-Life Balance 2

One day she asked me something kind of funny. She said, "My Cash App keeps having money in the account. I haven't transferred any money there, but there is always a few dollars in the account. It keeps growing." I said, "Babe, those are your dividends."

That is when she truly understood the magic of dividends. Now, she is becoming as obsessed as I am with the process of dividend investing. In fact, we started a $1,000 dividend spending spree challenge in time for Black Friday.

**Three parts of a dividend portfolio**. Okay, this is my take on dividend investing. You can scour the internet and create your own way. When you look at all nine of our dividend brokerage accounts (five for me, four for my wife), they are all built this way. The three parts of my dividend portfolios are **index funds**, **blue-chip stocks**, and **high-yield products**.

**Index funds**. Index funds are the growth element of our dividend portfolio. When I look at my dividend portfolio, I want to achieve 4% capital appreciation (growth) and 4% dividend yield (income). I plan to live off the income and let the other money continue to grow. Index funds will increase the portfolio while we collect the dividends.

How Much Do You Need for Retirement?

**Blue Chip Stocks**. Blue Chip stocks are the biggest companies in America. Some examples are McDonald's, Starbucks, Target, etc. There is no right or wrong answer to the blue-chip stocks that you invest in. Blue Chips stocks give us good growth and good dividends. Over time, the compound returns can make you very wealthy. So we definitely want to buy into some solid companies over time.

**High-Yield products**. This is where the fun comes in. High-Yield products (book) give most of their returns through income, meaning they have little growth but huge dividends. In a perfect world, you could live from only the high-yield element of your portfolio. High-yield products include REITs, closed-end funds, and preferred shares.

**Building your portfolio**. So you have your $100, and it's time to invest. In How to Start Dividend Investing 103 (book), I recommended either the Cash App or Stash to begin investing. I use both of these, and I love the simplicity. Once you get more advanced, you can branch-off into more complex products.

For my wife's Cash App, here is what we did. (This is not investment advice, just exactly what we started her account with.) I believe we started her account with $2,000. We just split it five ways.

a) **Index fund** is Total Stock Market (VTI) amount was $400
b) **Blue Chip** that pays in January- Altria (MO) amount was $400
c) **Blue Chip** that pays in February- AT&T (T) amount was $400
d) **Blue Chip** that pays in March- Prudential (PRU) amount was $400
e) **High-Yield** Product pays monthly- AGNC (AGNC) a REIT amount was $400

So we tried to hit all the wickets. We have a growth element, blue chips that pay across all the different months, and a high yield monthly payer. This is the basis of a long-term dividend portfolio. You can add more index funds, blue chips, and high-yield. It is really up to you.

**Conclusion**. I hope you leave with the main takeaway that you will need to learn to trust the market. The stock market is not for wealth creation; it keeps and grows the wealth you have.

I love dividend investing, but my wife and I have three rental properties and military retirement. Those are our wealth generators. With that excess income, we invest most, if not all, of it into the stock market. When the dividends hit our accounts, that is our discretionary income.

How to Invest During a Downturn

I see more and more single mothers or women serving as the head of the household. They must think long-term. As a provider, I am already thinking about how to provide for my grandkids. I am only 40 years old, but I am investing with them in mind already.

The hardest part is just that initial trust in the market. Understand that we have all felt that way before. However, it is something that you must overcome. Trust me; I remember when I released my first blog post, I was so nervous. Now, I have books all over the place.

I have been documenting my weekly dividend portfolio growth for my Cash App. You can see all 49 weeks here on Pinterest. I started with $170, and it is now $22,000. You can see how the market fluctuates, but in the end, it goes up slowly.

Remember, the stock market is for keeping the wealth you have already built. Find a wealth generator in business or real estate. Start small and learn to trust the market and enjoy dividends. You will be okay. Good Luck and Happy Investing.


**05  Let Dividends be Your Lighthouse through Retirement**

None of us have a crystal ball to predict what the future holds. As much as we prepare for our retirement, our kids moving out, and future travels, we have no freakin' idea how anything will play out. We are at the whim of the universe.


**[Let Dividends be Your Lighthouse through Retirement]()**

So, how are we supposed to navigate this unknown future if we have no clue what will happen? We have to become rich. I know the word "rich" has a negative connotation, but we must get over that. **Being rich means, we have excess income vs. expenses**—that's all.

One of the best ways to navigate retirement and life is by building a huge dividend portfolio. Dividends are the lighthouse during the choppy storm that is retirement. We can now focus on our dividend portfolios to ensure they grow to be the brightest lighthouse in the port.

[Retire Early as a Well-Rounded Millionaire]()

**How are dividends useful during retirement?** Hopefully, we all will have some kind of fixed income throughout retirement. These fixed income sources could be a pension, social security, 401k distributions, Roth IRA distributions, etc. These will not be enough.

Fixed income is a great base for our long-term retirement planning because we can count on it to pay our monthly expenses. But what other things will pop up during retirement?

Do we need to put the car in the shop? How about treating our spouse to an anniversary dinner? What if the grandkids come into town? Do we need cash to treat them? There are so many things that we want to do, but where does this money come from?

We need immediate income. We need income that we have available and ready for random events throughout retirement. Even better, if we don't need our income, we can reinvest it back into our portfolio and ensure it will be even bigger next month.

Dividends give us the flexibility to live our life the way we want. I can adjust my portfolio to meet my needs on the fly. If I am sitting on a large sum of capital gains with my index fund, I can sell them and invest that cash into a closed-end fund to get maximum dividend yield.

If I want to invest my dividends from my closed-end fund into index funds to maximize growth, I can do that. There is no limit to what I can do with my dividends, even if I am already retired.

6 Types of Income Streams

I have already discussed how a dividend portfolio can give us ultimate flexibility versus an annuity. Now, we can see the big picture that dividends can be a large part of our overall retirement planning.

This month, I received dividends from PCI ($50), NVG ($12), and AT&T ($31), among others. I reinvested the dividends from PCI and NVG and took my wife to sushi with AT&T cash. That is a small example of the magic of dividends.

Now, imagine we multiply those numbers all by ten—PCI ($500), NVG ($120), and AT&T ($310). Do you see where I am going with this? Once you add in rents and royalties, you can see how powerful your retirement planning can become leveraging passive income.

**How do we get started building our dividend lighthouse?** The hardest part of creating a dividend portfolio is learning to trust the stock market and the companies it contains. I wrote a guide to start the trust process titled "The Woman's Guide to Investing." Yes, men can read it too.

How We Plan to Retire on Dividends

The first step is learning terms like dividend yield, profit and earnings, and federal funds rate. Make a daily habit of reading a stock market website like Seeking Alpha. Find your favorite author (here's mine) and read their works. Read the comments as well. Dividends, and the stock market, have to become part of your life.

Every passive income source you build will require some kind of grind, and dividends are no different. But what you get in return is a powerful tool that you can shape to fit your daily needs.

Now that I am 40 years old and a landlord, I have seen many people who depend on one income source through retirement. They get one check a month and pray that nothing bad happens to ruin their plans. They live a life of scarcity.

The opposite of scarcity is abundance. We should always feel that money is coming to us and we have more than enough to satisfy our needs. Part of this feeling is defeating toxic consumerism and living a small, peaceful existence.

The other part is building a colossal lighthouse to rescue you from any situation that may arise. My goal is to earn $6,000/month in dividends. That is $1.8 million in our dividend portfolio. There is no doubt that we will achieve this, but we will keep going once we do.

High-Yield Hijinks

Why keep going? Because dividend investing is a part of who we are now. We pay ourselves first by investing; then, we live off the income that our investments pay us. It is a simple tweak to our regular spending habits that allows us to build our portfolio continually.

If you are interested in becoming a dividend investor, I have many tools available to you.

1) Stock Market Investing 101 series
2) Investing for Dividends series
3) Preferred Shares series
4) Intro to REIT series
5) How to Start Dividend Investing series
6) Become a Bonafide Investor series

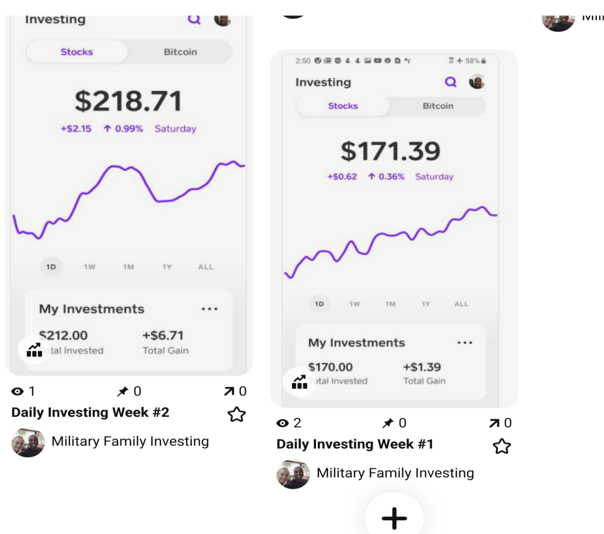
Retirement shouldn't be a turbulent sea of sadness, regret, and frustration. We should always see our lighthouse, allowing us to avoid the storm and the drama calmly. It is incumbent on us to build our lighthouse well before retirement age.

Dividends are one of the most important pillars of our retirement planning, and we need to treat them as such. Start learning what they are and how to build them. You will not regret your decision when a storm hits. Enjoy and Happy Investing!


## 06  52 Weeks of the Dividend Challenge

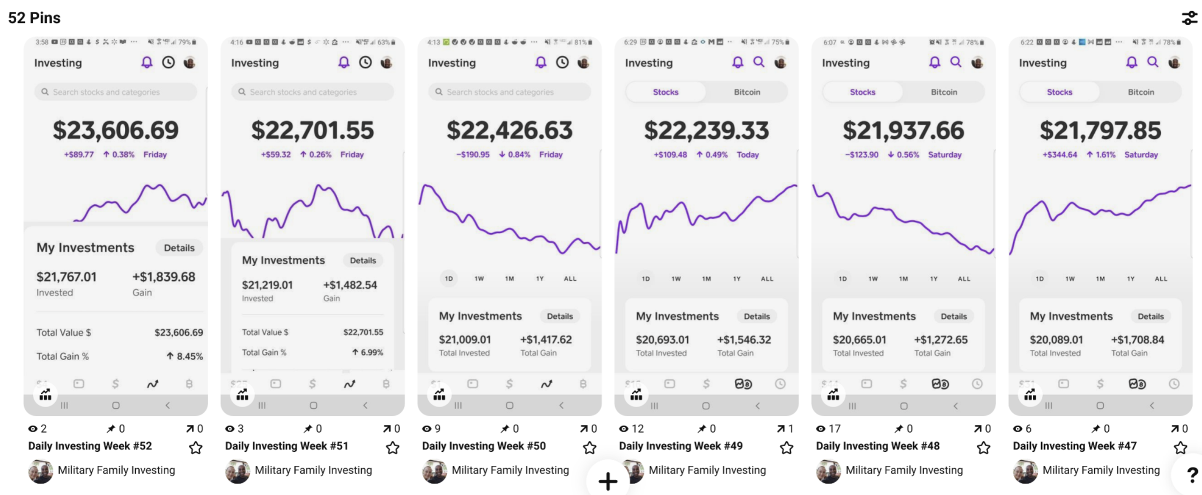
Yep, it's been a year since I started the Cash App Dividend Challenge. I host the Cash App challenge in my [Facebook Group] to show everyone that investing isn't as "risky" as people it makes it out to be.

The goal of the Cash App Dividend Challenge is to invest $5-10 every day in the stock market. I buy dividend stocks. Not only will my stock portfolio grow in size, but my dividends will start to compound as well.



I started investing in the Cash App when I launched my blog. When I began the Cash App challenge, I had $170 already invested in some dividend stocks. From there, I got focused and never looked back.

You can see every week [here on Pinterest](). Look at the ebbs and flows of the stock market.  We had some rough weeks, but for the most part, it has been a fun ride. I never withdrew any cash, and my balance as of Week #52 is $23,606, with a gain of +$1,839. That is a gain of +8.45%—not too bad.




But who cares about capital gains? I care about dividends, and that is where the portfolio has really grown. In September 2020, the first month, I received $0.28 in dividends. In August 2021, less than a year later, I received $94! That is impressive growth. In the last two weeks, Cash App decided to add a “news” section that messed up my screenshot, so I had to cut and paste my gains to get them into the image.

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| No Dividends | Fridays | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| CASH APP TOTAL | | $94.33 | $81.15 | $66.95 | $72.62 | $44.03 | $20.91 | $16.11 | $8.66 | $5.71 | $4.29 | $1.37 | $0.28 |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| WELLS FARGO | | Aug 2021 | Jul 2021 | Jun 2021 | May 2021 | Apr 2021 | Mar 2021 | Feb 2021 | Jan 2021 | Dec 2020 | Nov 2020 | Oct 2020 | Sep 2020 |
| Monthly | | | | | | | | | | | | | |

Now, what are my takeaways from Year One of the Cash App Dividend Challenge?

1) **Dividends are amazing.** Watching your dividends grow can be one of the most obsessive, addictive things in life.
2) Cash App is unique because your dividends flow directly into your spendable account. I believe this actually helps you stay more focused on your goals. I wrote more about this in [Investing for Dividends 105]().
3) Stay the distance. Most people can’t get past the first year when you are receiving pennies in dividends. However, the [power of compounding]() helps your portfolio grow exponentially.

4) Make dividend investing a daily requirement. Even if you only invest $1, you are investing in your future.

I look forward to Year Two of the dividend challenge. If you are nervous about investing, take a look at my Pinterest. You can see an entire year of gains and losses. Also, feel free to join our Facebook Group if you want to follow, or join, the dividend challenge. In the end, we are up in capital gains, plus we received $416 in dividends—what a fantastic year.


**07 Be Smarter than the Average Bear (Market)**

**"The market is going to crash!"** You have probably been hearing this for the last 4-6 years, or even longer. The market always seems to be hitting new highs, and it never seems to be a good time to invest.


[Be Smarter Than the Average Bear (Market)]

However, **time in the market** is better than **timing the market**. This saying means that today is the best day to invest, besides yesterday. We have to prepare ourselves for good days and bad days on the market.

Being an investor, vice a trader, gives us the benefit of long-term thought processes. Building the mindset of an investor means that we know how to make money whichever direction the market heads.

Retirement Planning for the Average Person 2

I want to discuss how we can prepare ourselves for a prolonged bear market. I briefly touched on the topic in my article "How to Prosper During the Next Recession." Today, I want to perform a deep dive into what we can do on the stock market to best position ourselves for the next downturn.

Let's start with some definitions. Wall Street considers a **market correction** when the market moves downward 10% from its recent highs. A **bear market** is when the market moves downward 20% from its recent highs, usually over a few months to a year.

The stock market, as with most asset classes, moves on a boom/bust cycle. Understanding these cycles is vital to your overall investing performance. The boom/bust cycle is outside of the scope of this article, but I took a note to write about in my Become a Bonafide Investor series.

Right now, we know that the market is going to correct itself at some point. We can try to predict the catalyst, but nothing in investing is certain. Who could have predicted the pandemic correction of 2020?

**Positioning ourselves.** There are three ways to position ourselves: **education, hedging, and cash**. We will need to leverage each of these to have the best chance of thriving (not only surviving) in the next crash.

Orange You Glad You Have Passive Income?

**Education.** Education is the most important aspect of preparing for the crash and bear market. Each asset class (commodities, REITs, housing, consumer products, automobiles, etc.) has its own boom/bust cycle. They also have their own catalyst.

Let's look at sectors inside Real Estate Investment Trusts as an example. Mortgage REITs buy paper mortgages (loans). They make money by leveraging the difference between interest rates and the 10-Year Treasury bond. When interest rates spike higher, they may suffer. So we need to keep our eyes on the Federal Reserve to see how they will adjust interest rates.

Commodities do well in inflationary periods because the prices of goods rise. However, they are highly cyclical (meaning they move in cycles). Look at the cost of oil over time. If we want to leverage commodities, we need to understand their various cycles and find a way to get into a position to benefit from a bear market. We may even decide to buy during the recession.

The best thing I can say about education is to become a lifelong learner. Read SeekingAlpha daily. Understand how growth stocks react to a downturn, as well as blue-chip stocks. Some stocks and securities are more likely to cut their distributions (dividends) during a recession, such as banks. Get smart!

Passive Income for Christmas

**Hedging.** Now that we are reading every day, we also need to put physical measures in place to hedge against downturns. Hedging is "to limit or qualify something by conditions or exceptions." In layman's terms, it is to use a procedure, process, or security to protect your investments.

One way to hedge is with options trading. If you are tracking the stock market closely and have a few positions with high capital appreciation, you may want to protect them by buying a put option.

A put option gives the buyer the right, not the obligation, to sell a stock. So if my XYZ stock is sitting at $100, I can buy a put option for the strike price of $90. If the price drops to $80, I will want to exercise my right to sell the stock to the seller at the agreed-upon price of $90.

Bonds can be a way to protect yourself from total stock market annihilation. As we saw during the pandemic, bond funds went to the toilet just a much as everything else. However, they recovered quickly and shot to an all-time high before growth stocks made a comeback.

I like to dollar-cost average into bond funds through the year. When the market crashes, I expect my bonds to bottom out; however, I hope they will recover quickly. I can sell them as they top out and convert that income into buying opportunities if they do.

21 Passive Income Ideas

Gold, and to a lesser extent cryptocurrencies, are also hedging against market downturns. Usually, during bear markets, recessions, and depressions, people lose faith in the US Dollar. We can hedge against the loss of confidence in the dollar by holding gold, silver, and cryptocurrencies. We don't have enough data about how cryptocurrencies react during a bear market to speak confidently, yet.

**Cash.** Cash provides us with a few options to protect us against a bear market. The first is it stops us from selling our stocks. The last thing we want to do during a downturn is sell anything.

If we are living off dividends, we will need a significant cash cushion to protect us from the sequence of returns risk. I wrote about the sequence of returns risk in Living Overseas Passively 103. We need at least two years of expenses in cash. I said expenses, not "perfect living conditions." We may spend $5,000/month when comfortable but only truly need $2,000/month for expenses.

How Would You Invest $300,000?

Next, cash allows us to buy stocks at a discount. If we are doing our research, we should know what stocks are selling for great prices. I remember seeing McDonald's selling for $150 during the pandemic (it was $218 before). Now, MCD trades at $241.

I wasn't in a position to buy McDonald's at the bottom. However, next time, I will be ready and able to purchase great blue-chip stocks, preferred shares, and closed-end funds at a discount. Cash is king. It can protect us from selling shares and ruining our retirement with a poor sequence of returns. Cash can also give us the option to go shopping while everyone else is panic selling.

The Woman's Guide to Investing

**Conclusion.** I would love to dig deeper into this topic because it is a vast ocean of possibilities. However, knowing what kind of investor you are in the first key. If you are a blue-chip dividend growth investor, you should know how to hedge against their reactions in a downturn.

Suppose you invest in commodities, real estate, closed-end funds, index funds, bonds, etc., know what to do when trouble strikes. If you invest in capital gains, maybe options are your best hedge. There is no reason to "spray and pray" in the stock market.

If you feel the market is too high, dollar-cost-average 50% of your money into the market, and save 50% in cash or USDC (at 9% interest!). There are so many ways to win that we shouldn't be scared of a market crash; we should be ready!


## 08  How to FALL into Investing

Autumn is creeping upon us, and what better time to start investing? The leaves are turning orange, the weather is becoming cool, and our wallets are preparing for the busy Christmas season.


**How to FALL into Investing**

Wouldn't it be nice to have our dividends pay for Christmas shopping next year? In the article "A $1000 Dividends Shopping Spree," I talked about my wife and I using dividends for our Black Friday shopping this year. Dividends are an amazing way to build wealth, fund expenses, and splurge on luxuries.

**Goals.** Investing can help you achieve many goals that you might have in life. The hardest part of investing is knowing where to start. Luckily, I have many books and articles on the topic. Everything I talk about, I also do myself. The only exception is trading options because I need more shares available before I begin.

**The Magic of Dividends**

Before I get into the different types of investing, let's review your goals. Having an end state is the most critical part of the process. Where do dividends fit into your overall retirement plan? How much do you need for retirement? How long do you have before you plan to retire?

These questions will help you form an opinion about your investing process. Remember, things will change as you learn and evolve, but you need to know where to start. A good example will be if you plan to retire overseas on dividends by age 50.

If that were the case, and you are currently 40, you may need to become an income investor. The "How to Start Dividend Investing 101" series discusses more investing mindset and goals. Don't worry if you don't know exactly where your path leads; just guess.

For example, you can decide that having a $1,000/month dividend income to support your video game habit would be nice. Next, you pick your timeline—and tada! You have an investment goal.

**Paths.** Having a goal is great, now we need to pick a path to follow. There are almost an infinite amount of ways to invest in the stock market. I am going to condense them down into three different approaches.

**Diversify Your Passive Income**

Of course, each path can have branching routes and extra modifiers—so don't feel like you have to conform to a direction 100% of the way I present. The three investment styles I follow are income investing, dividend growth investing, and index fund investing.

**Income Investing.** Investing for Income is when you seek immediate returns from your securities (stocks and ETFs). Usually, income investors look towards high-yield products that give more of their gains through dividend distributions.

Some of the high-yield products I use for income investing are preferred shares, real estate investment trusts, closed-end funds, dividends ETFs, and business development companies. When I invest in these products, I am looking for immediate income, usually the next month.

For example, if I invest $10,000 in the closed-end fund PCI (9% yield), I would receive $75/month. In ten years, without reinvesting, my $10,000 would still be worth roughly $10,000 to $11,000. However, I would have received $9,000 in dividends. Most of my returns would be in the form of dividend payments.

**Prepare for Inflation**

With income investing, I can use those dividends to fund my lifestyle and expenses. I can also use excess cash flow to reinvest in more income products or dividend growth stocks. I have many options when I have cash flowing from dividends.

Of the three, income investing is the fastest way to see your returns. However, high-yield products do not hold up very well when interest rates rise—just something to remember.

**Dividend Growth Investing**. The idea behind dividend growth investing is to buy dividend-paying blue-chip stocks for the long term. These stocks pay dividends that they also increase over time. Between the stocks appreciating, dividend reinvestments, and growing dividends payments, DGI is a compounding powerhouse.

DGI is the slowest of the investing methods. It will take years to feel the effects of compounding your dividends. However, in time you will come to appreciate the income that a DGI portfolio will produce. Let's explore.

Let's put our $10,000 into McDonald's stock at the current price of $246. We will reinvest all dividends for 30 years. We predict that the stock price will appreciate at 3% a year, and they continue to pay a 2.5% dividend.

**Dividends vs. Royalties part II**

In 30 years, my portfolio will be worth $49,800. My payout will be $1,245/year or roughly $103 per month when I stop reinvesting dividends. Not bad for a $10,000 one-time investment.

However, you unlock the power of DGI when you keep contributing. Let's start with $10,000 and add $200/month for the next 30 years. Now we are looking at $223,000 and $5,575/year. That is $464/month of dividend income.

With DGI, you let the blue-chip stocks and the power of compounding do all the heavy lifting. I like to use DGI on top of my income investing tactics. I can use my DGI income for nice-to-have items.

**Index Fund Investing.** Index fund investing is, on the surface, the easiest choice for investors. You invest in one of the four indexes that dominate the market. They are the total stock market (VTI), S&P 500 (SPY), Dow Jones Industrial Average (DIA), and Nasdaq (QQQ).

My favorite index fund is VTI. The idea of index fund investing is to simply keep investing into these index funds for all the years until retirement. I would start by investing as much as possible into my Roth IRA because the returns will be tax-free.

**Pay Down Debt or Start Investing?**

Very few people have ever beat the stock market’s returns over a consistent period. So, in essence, you are getting maximum returns by just investing in the stock market index. Let’s say the stock market averages a 9% return over 30 years.

If we invest our $10,000 and add $500/month for those 30 years, we would finish with $950,000. The question now becomes how to use this money. I don’t like index fund investing because you have to sell your ETFs to produce income.

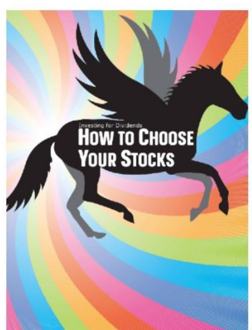
Yes, if you have a Roth IRA, the sales would be tax-free, but that still sucks. I would sell my index funds after they reach an all-time high and buy income products, like closed-end funds.

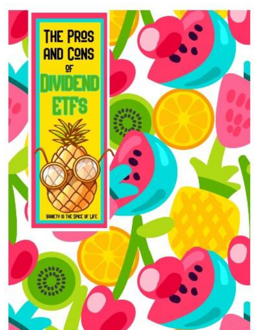
Let’s say we walked away with $650,000 after taxes and put that into my favorite closed-end fund, PCI. At a 9% dividend yield, I would be receiving $4,875/month in income.

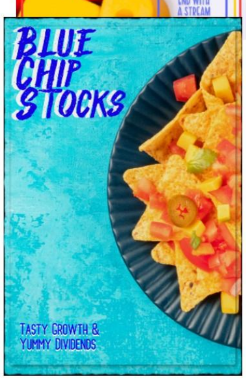
[You’ll Need $20,000/month Passive Income]

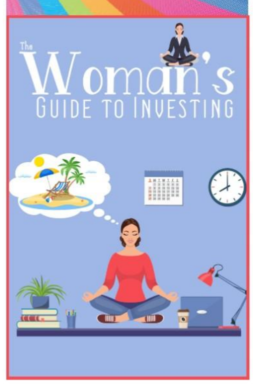
I do use index funds in my portfolios, but only as a growth accelerator. I do not plan on selling them in the future. Index funds seem simple, but withdrawing them will be very complex. You will need to know how to invest by that time, so you may as well learn now.

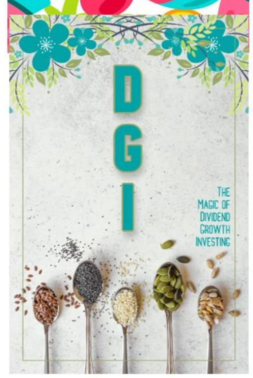
**Conclusion.** So what’s the best of the three methods? I have no idea; that’s why I use all three. I love having my hands in all of these pots and watching my portfolio grow over time. However, I spend a lot of time reading and writing about my portfolios.

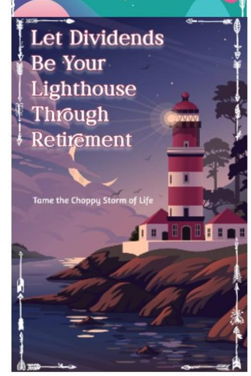












1) How to Start Dividend Investing (book)
2) How to Choose Your Stocks (book)
3) The Pro and Cons of Dividend ETFs (Free PDF)
4) Let Dividends Be Your Lighthouse through Retirement (book)
5) Blue Chip Stocks (book)
6) The Woman's Guide to Investing (book)
7) The Magic of Dividend Growth Investing (Free PDF)
8) Why Do I Need to Start Dividend Investing? (book)

Building a dividend income stream is a fantastic way to add revenue to your life; however, don't take it lightly. Keep reading and following my blog. I also read Seekingalpha every day to see what's happening in the world of investing. I'll leave you with a few short books to help you get started with investing for dividends. Enjoy and Happy Investing.

## INVESTMENT PLANNING


## 09  5 Benefits of Options Trading

Can you make active income from passive income sources? Do you have a nice-sized dividend portfolio sitting around, waiting to produce more revenue? Then you might want to research trading options in the stock market.

Options are contracts giving the owner the right to buy or sell an asset at a fixed price for a specific time. The fixed price is called the strike price. I will go more in-depth into the vocabulary of the options market in other articles.

I have not traded options before. I read the book "The Options Playbook," and I had a plan to open a paper options trading account—giving me the ability to practice buying and selling options safely without real money involved. However, I have been busy catching up on cryptocurrencies as of late.

The great part about options is that they exist in the stock market world, the commodities world, and the cryptocurrency world. So learning the terms and techniques of options will carry over between the different worlds.

Trading options needn't be risky. In fact, most people use them as a hedge against another position. A hedge is a type of insurance. Hedges are significant in the commodities markets for owners or producers of crops. If you would like to learn more about the commodities markets, read "A Trader's First Book on Commodities."

However, options can be perilous because you do not need to own the underlying positions. It can get confusing, so I won't go too deep into the methodology now. But understand that you can get yourself into trouble exceptionally quickly in the options world. These risky techniques are not what I am pitching today.

Today I want to talk about why it may be a good idea to give some attention to options trading. There are many reasons why the world of options can interest you, and I will lay out five solid reasons for you. **Of note, options sell in lots of 100 stocks. So they can be very pricey.**

Before we get into my five reasons, I want to give out a couple of definitions that will serve us well throughout the article.

Buying a **call option** gives the owner of the option the right (but not the obligation) to purchase an asset at a fixed price. Buying a **put option** gives the owner of the option the right (but not the obligation) to sell an asset at a fixed price. These concepts are deep, so I will give real-world examples to explain them better, hopefully.

**Call option real-world example**. Let's say that the price of Nintendo Switch consoles hovers around $300 at Walmart on an average day. From time to time, they go on sale for $250. However, these sales are unannounced and unpredictable. If I wanted to buy the console for $250, I would buy a call option for the strike price of $250. To purchase the call option would cost me an amount of money based on the time I want to keep the option valid. The more time, the more money. Let's say the price of the option was $10.

Then I would go about my business. I am the owner of an option, not the Nintendo Switch console. If the Nintendo Switch price dropped to $250, Walmart would telephone me and ask me if I wanted to buy the console. I would have the “option” to accept the console, hence the name. Whether I buy the console or not, I still would have paid the $10.

If the price of the console never drops to $250, then the option will expire worthless. Most options contracts expire worthless—this is good to remember.

**Put Option real-world example.** Continuing the above example, let’s say I receive the Nintendo Switch. I can now buy a put option for the right to sell it at the strike price. I will set my contract for a fixed price of $280. Again, I pay $10 for the options contract.

I want the price to recover to $300+, but $280 will be a reasonable price for someone to buy a Nintendo Switch if it doesn’t. So I will get a phone call asking me if I would like to sell my Nintendo Switch console. I have the option to sell it at this price, hence the name. With the put option, I covered my bet that that price would spike back up to $300.

Here is another example, this time from Investopedia. Remember, these are complex theories, so take your time to understand them. It won’t come all at once. I am writing this article to help you decide if this is something that interests you. I believe there is value in the world of options, so I continue to understand it the best I can.

**Call Holders** – If you buy a call, you are buying the right to purchase the stock at a specific price. The upside potential is unlimited, and the downside potential is the premium that you spent. You want the price to go up a lot so that you can buy it at a lower price.

**Put Holders** – If you buy a put, you are buying the right to sell a stock at a specific price. The upside potential is the difference between the share prices (suppose you buy the right to sell at $5 per share and it drops to $3 per share). The downside potential is the premium that you spent. You want the price to go down a lot so you can sell it at a higher price.

**Call Writers** – If you sell a call, you are selling the right to purchase to someone else. The upside potential is the premium for the option; the downside potential is unlimited. You want the price to stay about the same (or even drop a little) so that whoever buys your call doesn't exercise the option and force you to sell.

**Put Writers** – If you sell a put, you are selling the right to sell to someone else. The upside potential is the premium for the option, the downside potential is the amount the stock is worth. You want the price to stay above the strike price so that the buyer doesn't force you to sell at a higher price than the stock is worth.

To simplify further, if you buy an option, your downside potential is the premium that you spent on the option. If you sell a call there is unlimited downside potential; if you sell a put, the downside potential is limited to the value of the stock.

1) **Insurance.** We can use options to hedge our risk against the market. If your Tesla stock is moving higher and higher, you may want to buy an option to limit your downside. Remember, you will have to pay for this insurance.

If you are a speculator, then using options as a hedge or insurance is a must. You may seek to get the highest capital gains possible and take profits at the peak of the euphoria. Others may be waiting for a 5-10% reduction in price before they buy. Options can satisfy both parties.

2) **Make extra cash.** If you have an extensive dividend portfolio, you may want to make some money by selling covered calls. A covered call means that you own the underlying assets. So you may have 100 stocks of T (AT&T) and would like to sell covered calls.

How We Plan to Retire on Dividends

Someone would buy your calls, hoping to buy at a particular price. Most options expire worthless, so you get to keep the premium. If the market reaches the strike price, then you may lose your stocks. However, with the correct strike price, you should have profited from the stocks and the premium.

3) **Gauge market sentiment.** If you follow the options market, you can see how the market feels about a particular stock. Most options are closed by taking the opposite position than what you bought. When you buy or sell an option, you are opening a position. So you will need to buy or sell to close your position.

The Options Clearing Corporation keeps track of all open positions and gives the “open interest” of a particular stock. The “open interest” of a stock provides a gauge of where the stock is headed in the future. Open interest is an excellent way to start your research on a particular stock.

4) **Get stocks at the price you want.** If you are deadset on buying the right stock at the right price, then options trading is for you. Remember, you will pay a premium for this luxury. And the further out you extend your option contract, the more expensive (and risky) it can become.

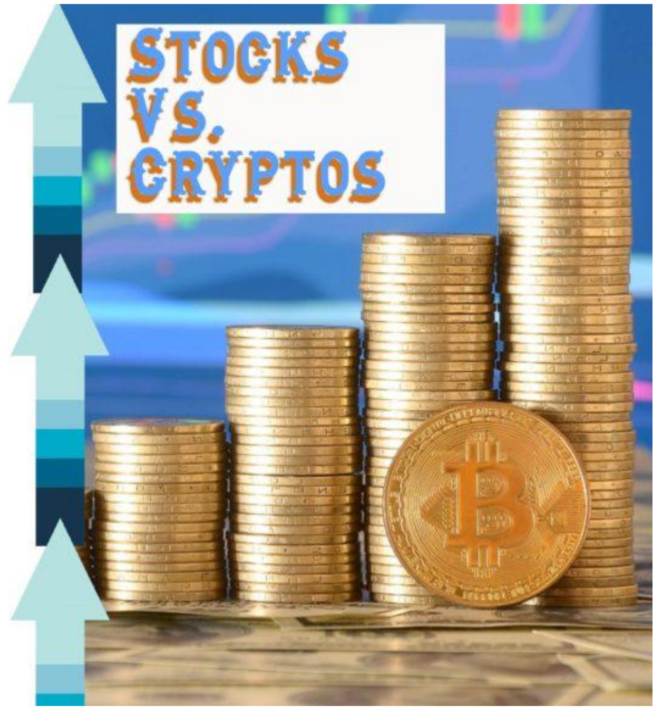
Mailbox Money: The Power of Dividends, Royalties, and Rents

5) **Stay busy in retirement.** Trading options is an excellent way to increase income on your dividend stocks and stay active throughout retirement. Yes, I believe that to trade options safely, you should own the underlying stocks. So, in this case, it takes money to make money. “Covered” means you own the underlying stocks, “Naked” means you do not own the underlying stocks.

But, I see this as a great way to earn income, stay engaged, and build some excitement during your retirement years. I look forward to retiring and being able to focus some of my attention on options trading.

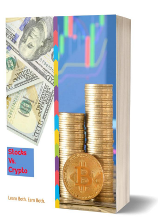
**Conclusion.** I hope I was able to add some value to your knowledge of options. Again, if you are unsure about options, I would try paper trading first. That is my intent as well. I just became inundated with information on cryptocurrencies before I could get into paper trading.

The world of options trading can seem complex; however, I think once you get the hang of it, it can be lucrative. I think the people who don’t get emotional or carried away can make a good steady income from options. To learn more, read these books, and try your hand at paper trading. If I get to do it first, then I will report my findings. Good Luck!




**10 Stocks vs. Cryptos**

I know, I know; you don't think that this will be a fair fight. Stocks have been around for a long time, and cryptos have been kicking for about ten years and are only recently becoming mainstream.



[Stocks vs. Cryptos]

However, when it comes to your money, everything is equal. Remember, all these investment sources are fighting for your hard-earned dollars. So, let's do a quick rundown of what each investment brings to the table. Stocks will win; however, we do need to decide what our allocation of each will be. I will give what percentage I have in each at the end. Let's get into the battle of the ages.

**Capital Gains.** Capital gains are the speed and velocity at which your investments go up in price. Crypto easily wins this battle because it can quickly go up 30% in a day. If you want a wild ride, go with crypto. However, what goes up can come down. Crypto, in its current state, can crash violently at a moment's notice. You've been warned. **Winner: Crypto.**

**Dividends.** Stocks have the best history for dividends at the moment. For over 100 years, dividends have been making consistent investors rich. Crypto does have some good deals in interest rates. I am currently receiving 9% interest in my investment in USDC, a stable coin. Every month, the interest rates can change, so I do not know how long this particular deal will last. I love the interest in crypto, but I will have to go with stocks on this one. **Winner: Stocks.**

**Research capabilities.** To make great investments as an investor, you will need to conduct research (or due diligence). Stocks have the most research, safest websites and information, and longest history. Crypto is starting to gain reputable sources as well. But if you are getting started, I would start with stocks. **Winner: Stocks.**

**Ease of starting.** Stocks have some of the best websites and apps to get you started. For example, M1 Finance will let you place many stocks into a pie. Let's say a pie of McDonald's, Starbucks, Target, Walmart, and Papa John's (all stocks I own!).

Okay, now that I have my pie, I can set up M1 Finance to withdraw a set amount (say $300) from my checking account every month. It will then spread my money across the stocks, buying the highest amount of best-priced ones. I am automatically investing in top stocks at the best prices—it is hard not to win!

Crypto doesn't have anything close to this. Crypto, currently, is all about capital gains and not long-term dollar-cost averaging. I believe that over time crypto will stabilize and become more of a buy-and-hold commodity, like stocks. But for now, stocks have it beat with apps like Stash, Cash App, and M1 Finance. **Winner: Stocks.**

**Cool Features.** OMG, crypto wins this, hands down. There are so many cool things to do in crypto; it is insane. First off, you can trade your crypto with anyone. So I can send some Ether (ETH) to anyone I want. Stocks are locked down under your social security number.

Crypto also has many cool gimmicks, depending on the coin. Some can be mined or staked for extra dividends. Some coins go out and search for more yield. There is a coin that will act as an ETF and invest in stocks. There is so much new stuff in crypto that you will have to read every day to keep abreast of everything. **Winner: Crypto.**

**Future Outlook.** Stocks will be in the same place today as they will be tomorrow. Nothing new will happen in the stock market space. It is old money but still extremely necessary for businesses to have liquidity.

This crypto timeframe is currently akin to the internet in the 1990s. We have no idea of what will happen, but I will say that it will be huge. The crypto genie has been let out of the bottle, and it will not go back in. However, it will have many fits and starts along the way. Remember, Microsoft, Apple and Amazon were trading at their low points at one time or another. You have to maintain a long-term outlook to ride this wave. **Winner: Crypto.**

**Final Allocations.** You need to allocate most of your dollars to stocks right now and probably for the next 15-20 years. How much you allocate depends on how bullish you are on crypto and how strong your tolerance is for daily volatility.

If you are investing for capital gains and your stomach turns on crashes of 20% or more, I would keep your allocation at 5%. Right now, crypto is 90% speculation. You can make a killing one day and be killed the next day.

If you are an investor looking at where crypto will be in the next 20 years, you can allocate more. I am thinking about 10%, but only if you can stand horrible crashes. Ensure you are investing in coins that have an actual purpose, and you should be fine.

I am putting about 7-10% in cryptos. I have a nice-sized dividend portfolio now, so I want to grow my crypto portfolio and better position myself for the future wave of technology. Okay, how do you begin your journey in either stocks or crypto? Luckily I have written some articles to get you started. Good Luck!


## 11 Love Income? Try Closed-End Funds

I think that closed-end funds are my favorite products on the stock market. They aren't very sexy, and they don't give me sky-rocketing capital gains, but boy, do they get the job done.

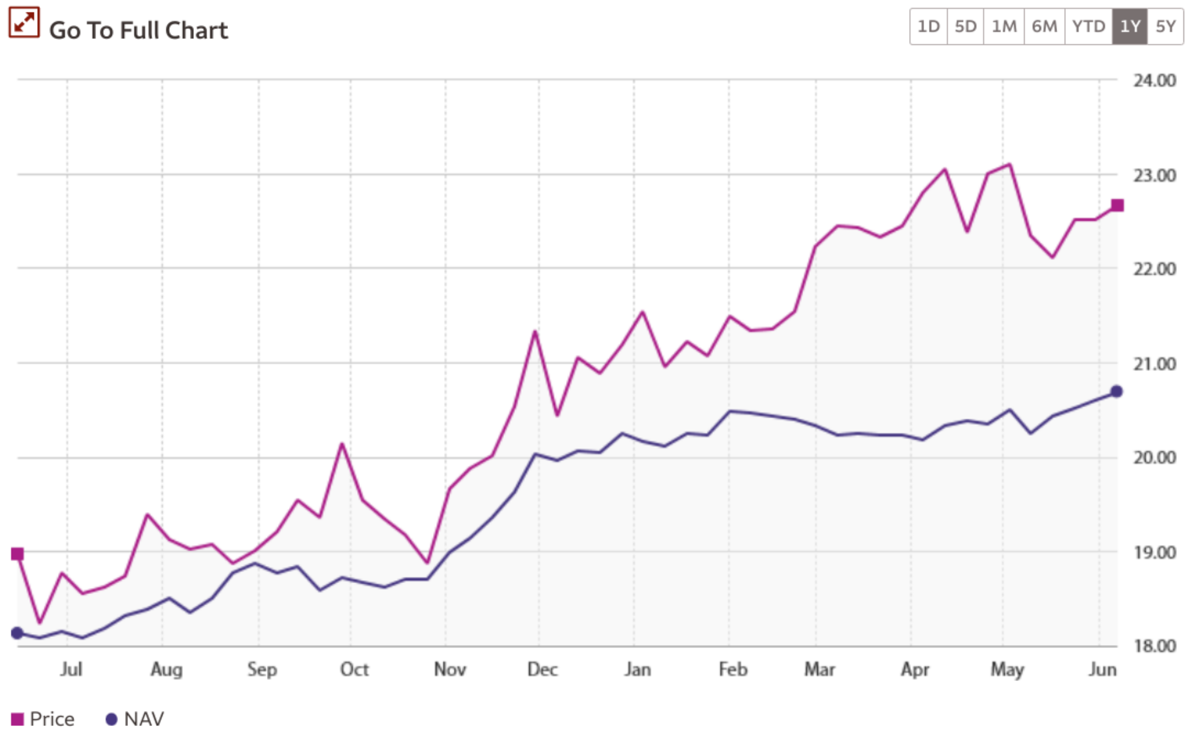
And what job is that? Their job is to give me large amounts of income. I use closed-end funds as the anchor of my dividend portfolio, ensuring that I receive a nice piece of consistent income each and every month. But what are closed-end funds?

Closed-end funds are mutual funds that have a set amount of shares. The amount is set at the funds IPO and can only be changed by a management decision. This differs from open-end (normal) mutual funds and electronic traded funds (ETFs) because they buy more shares as more money comes into the funds.

How does this mechanic change the buying thesis of these funds? Because the funds have a set amount of shares, they have a Net Asset Value or NAV. The NAV is the amount of the assets the fund holds, which differs from the price. Because of this, the funds can trade at a premium or a discount to NAV.

I will give you an example of NAV. Let's take Pokemon cards, for example. For high-value cards, people can rate the card by sending it to a card specialist. Then, there is a book that tells the value of the card. Let's say the book says the card is worth $5,000. When the card owner puts the card on the market, depending on the supply and demand, he could ask for more or less compared to the $5,000. The NAV is $5,000—the price is what the market will support.

Luckily, most brokerage firms and websites like Yahoo Finance display the NAV and the premium or discount for everyone to see easily. Here is an example from a PIMCO fund.




It is important to note that some funds may trade at a premium to NAV most of the time. This is because the fund manager is considered good, and the fund performs well. You pay more for quality funds. Yes, closed-end funds are actively managed.

One of the main selling points of ETFs, especially index funds, is that they are passively managed. Passively managed funds track a particular index and stick to that index. The robots can manage these funds; thus, the funds have a very low expense ratio. Sometimes the expense ratio is as low as 0.03%.

Actively managed funds have managers that have to be paid, making their expense ratios considerably higher than index funds. Some of my favorite funds have an expense ratio over 2%, which is an enormous leap over 0.03%.

The good part is that the dividend yield already subtracts the expense ratio. So if you see a dividend yield of 7%, that is after the expense ratio and the cost of leverage. Josh, what is leverage, and why do closed-end funds use it?

Leverage is the act of borrowing money and other such tactics to maximize returns. Inherently, borrowing money leads to interest costs, which are factored in before seeing the dividend yield. Leverage has another downside, though, and that has to do with interest rates.

Closed-end funds are notorious for performing poorly with changing interest rates and inflation. Using leverage can multiply your returns or compound your losses; this is just something to be aware of. Various CEFs perform differently in rising inflation and low/high-interest rate environments. You have to understand which CEFs you are investing in and why.

Now, to the main attraction, the income—the main reason to buy CEFs is the monthly income. CEFs aren't known to give high amounts of capital gains; however, if you follow a particular CEF, you will be able to buy it when it is on discount.

The strategy I use is to follow 4-6 CEFs closely as my main income generators. Over the years, there will be great buying opportunities, and that is when you pounce. Just like I wrote in the Preferred Shares series, buying at a discount can genuinely maximize your returns.

Most of the returns you will receive from CEFs will come in the form of dividends. So, if I buy a CEFs for $20/share, I expect it to stay somewhere between $20-23 for most of the time. If I can find it at a discount for, say, $15, then I can lock in some significant gains as well. Let's look at my two favorite funds, PIMCO Dynamic Income (PCI) and Nuveen Tax-Free Municipal Bonds (NVG).

Closed End

| Symbol/Description | Shares @ Cost | Last Price/ Change | Market Value/ Change from Prev | Unreal. Gain/Loss | Client Investment Gain/Loss | Estimated Annual Income | Morningstar Rating Overall | Actions |
|---|---|---|---|---|---|---|---|---|
| PCI PIMCO DYNAMIC CREDIT | 292.000 @ $21.90 | $22.65 -$0.02 | $6,613.77 -$5.87 (-0.09%) | +$219.68 +3.44% | +$219.68 +3.44% | $609.13 | Not Rated | -Select- |
| NVG NUVEEN AMT FREE MUNI CR | 171.000 @ $16.99 | $17.64 -$0.04 | $3,016.44 -$6.84 (-0.23%) | +$111.44 +3.84% | +$111.44 +3.84% | $138.18 | Not Rated | -Select- |

I have minimal capital gains but look at the estimated annual income. It is important to note that NVG has a lower dividend yield, but the entire dividend is tax-free because they invest in municipal bonds. So how does this income look on payday? Let's take a look.

| | | | |
|---|---|---|---|
| 06/01/2021 | Dividend | NVG NUVEEN AMT FREE MUNI CREDIT INCOME FD 060121 171 | $11.54 |
| 06/01/2021 | Dividend | PCI PIMCO DYNAMIC CREDIT AND MORTGAGE INCOME FUND 060121 279 | $48.55 |

There are very few things as attractive as seeing these two dividends arrive on payday, each and every month. That is $60 coming that you can do anything you want with. That is enough to pay for Netflix, Hulu, and HBO MAX.

My goal with these CEFs is to get to a point where I can pay all of my bills just from them. But again, they should only be a portion of your income portfolio. I wish I could buy only CEFs for my dividend portfolio, but that would lead to trouble very quickly.

| Portfolio Grand Total | Market Value | Unreal. Gain/Loss | Estimated Annual Income |
|---|---|---|---|
| | $31,535.17 | $3,846.00 +13.89% | $1,458.52 |

You see, the CEFs are not a massive part of my Wells Fargo portfolio. And across my entire portfolio, they are even smaller. I use the other dividend-payers to make up because my CEFs generally stay static on growth.

So I can buy other index funds, ETFs, and blue-chip dividend payers to protect my CEFs from themselves. Over the years, I will keep adding to my CEFs and eventually get them to pay me $2,000-$3,000 a month while still keeping them to 20% or less of my portfolio. That is a tall order, but in time I can achieve this.

That is the best way to employ CEFs, as an anchor to your portfolio. They can give you great consistent dividends. Stack some blue chips and index funds, and you have growth and income funds that protect you from inflation and pay you today. It is not a bad way to do business.

Before you buy a CEF, look into the premium or discount to NAV, and read if it is historically a good time to buy. You can track the NAV to price over time. You may learn that certain funds can trade above NAV for years on end.

Also, understand that they are leveraged funds and can be risky if you don't know how they react to low/high-interest rates or inflation. Understand what sector and what the funds invest in. Some are real estate, banking, mortgage debt, infrastructure, etc. These are all things you should know before you spend your hard-earned dollars.

I love CEFs, and they have been very good to me over the last few years. If I were closer to retirement age, I would load up on CEFs for immediate income. I would also add in some preferred shares and dividend ETFs. I would also ensure I had 6-12 months' pay in treasury bonds and cash in case of a market downturn. I wouldn't want to sell CEFs when they are at their low points. I would like to be buying them at that time.

Closed-End Funds are great if you understand what you are getting. Instead of getting the stock market 7-9% return in growth, you get it in pure income. There are trade-offs, but if you can leverage them correctly, they are a great addition to anyone investing for income. I know that I am an income investor, how about you?


## 12 Love Income? Try Business Development Companies

The more I invest, the more I love venturing into new territory. As our dividend portfolio reaches $200,000, the thought of trying new things seems like a great idea. I noticed that I follow two separate yet distinct investing philosophies.

The first model is called Dividend Growth Investing (DGI). It consists of investing (and reinvesting) in large blue-chips companies. Over time, your shares, value, and income will increase.

The other model is called Income Investing. I will write an article on Income Investing; however, I wanted to create the first piece on business development companies.

**Orange You Glad You Have Passive Income?**

**Business Development Companies (BDCs)** are part of a segment of products I call "High-Yield." High Yield products pay a large percentage of their profits through dividends. Other high-yield products include real estate investment trusts, preferred shares, and closed-end funds.

BDCs are a unique opportunity among the mix of other high-yield products. BDCs offer average people like us the ability to invest in businesses that we could not invest in on our own.

Most businesses in the United States do not trade on the stock market. That leaves about 99% of companies not trading on the stock market and available to standard investors. Enter BDCs.

BDCs invest in these bigger businesses that aren't big enough or choose not to trade publicly. BDCs lend money to businesses to help them grow or sustain their businesses. So in a sense, they are similar to banks.

**The Pros and Cons of Dividend ETFs**

However, there is a significant difference between BDCs and banks; BDCs can also accumulate equity in companies. This means that they issue debt and receive interest on their loans. But they can also request shares of these companies.

As the value of these shares appreciates, BDCs can also profit from the company's growth. So, BDCs give investors the best of both worlds—debt and equity.

**Why should investors buy shares of BDCs?** Above all, BDCs offer excellent yields. Similar to REITs, BDCs pay most of their profits out in the form of dividends. These payments can be a boon to income investors.

**How about price appreciation?** I would not buy BDCs for price appreciation—high-yield products are usually cyclical. BDCs loan money to companies, so they make their money with the "spread" between what they can borrow and their lending amount.

So if a BDC can borrow for 3.5% and loan for 9%, they have a 5.5% spread. Now, when the federal funds rate is low, like today, then BDCs can borrow at a low cost—a positive for them.

**Why Invest in Gold & Silver**

However, if the federal reserve decides to raise rates, BDCs would borrow at a higher cost, potentially charging the companies the same amount. They would then lose some of their ability to make profits.

So BDCs, like REITs, depend on the interest rates to make their profits. As rates rise, their share price may fall. You have to understand their cycle to make the best investing decisions.

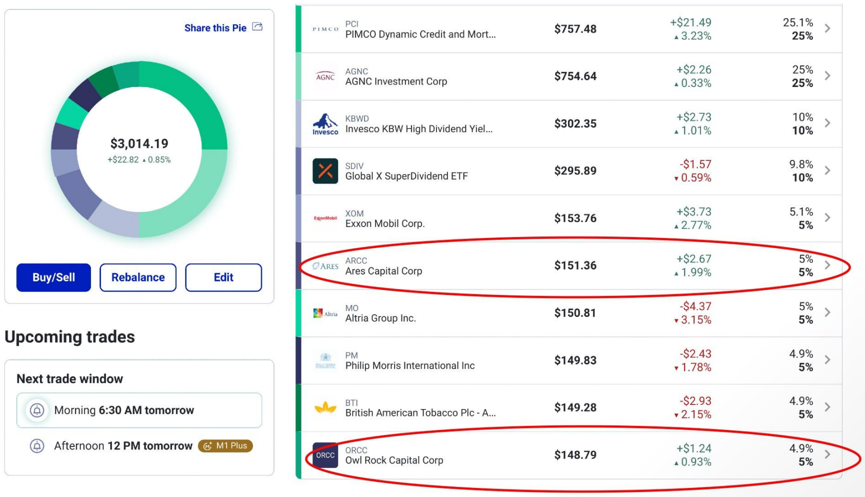
**What's the best way to invest in BDCs?** I invest by dollar-cost-averaging. Over time, I will buy them when they are at their highest and their lowest. As long as I purchase solid BDCs over time, I can collect high yields and have some capital appreciation.

**You'll Need $20,000/month in Passive Income**

**What are some solid BDCs?** I currently invest in two business development companies. The first BDC is Ares Capital Corporation (ARCC). It is the largest BDC and is also considered a blue-chip stock.

The other BDC I invest in is Owl Rock Capital Corporation (ORCC). It is a relatively new company but worthy of my hard-earned dollars.

**How do BDCs fit into my Income Investing portfolio?** My income investing portfolio consists of BDCs, REITs, blue-chip high-yield stocks, closed-end funds, and dividend ETFs. I just started this portfolio under an M1 finance pie.

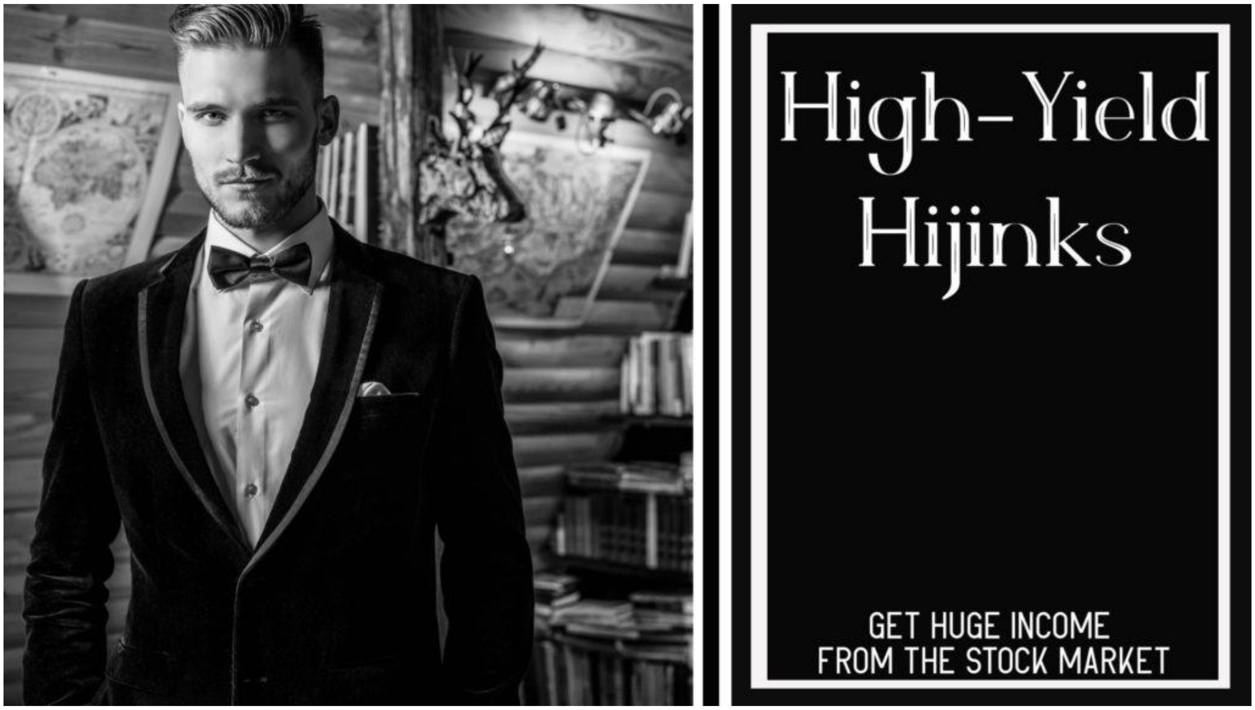



I intend to grow this portfolio to produce enough cash flow that it feeds itself into its entirety. Ideally, I would like it to make $300/month to reinvest into itself. Then I can build a similar one for my wife.

**Conclusion.** Income investing is more exciting than dividend growth investing, at least for me. I love watching my decisions lead to immediate income. However, with income investing and BDCs, you will need to be aware of their cycles.

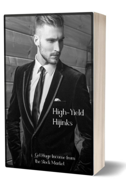
As long as you prepare yourself for the highs and lows, you can earn a good amount from BDCs. I love to read about my two BDCs and see the smaller businesses in which they invest.

If you do begin to invest in BDCs, dig deeper. Ensure you understand their particular business model. If you love high yield and interesting, unique investment opportunities, BDCs may be right for you.




## 13 High Yield Hijinks: Get Huge Income from the Stock Market

Most people invest in the stock market for capital gains. They love to watch as their stocks (or crypto) prices go up and up. It is a great ride, as long as the prices keep going up. Good for them and more power to their future wealth.



[High-Yield Hijinks]

I invest for income, cold-hard cash. I like to watch my bank account go up and up. I love to spend my time looking for great high-income investments and going with other blue-chip dividend payers such as **Johnson & Johnson (JNJ)** and **McDonald's (MCD)**.

So what do I consider high-yield? I would consider anything over 4% dividend yield as high-yielding, but I want to be somewhere between 7-10%. My overall goal for my portfolio is 4% capital gains and 4% dividend yield.

My index funds yield roughly 1.5%, and my blue-chips are somewhere between 1.5% and 2.5%. Therefore, my high-yielding products need to do the brunt of income production. So, where do we find high-yield products?

There are a few places to find high yield. You have **high-yield blue-chip stocks**, **high-yield ETFs**, **junk bonds**, **closed-end funds**, **municipal bonds**, **preferred shares**, and **REITs**. Let's take a look at each of these.

**High Yield Blue Chip Stocks.** High-yield blue chips can be a great way to diversify into high income without going crazy into other types of products. Ensure you are getting solid blue-chips and not buying a sinking ship. Some great high-yield companies I own are **AT&T (T)**, **Verizon (VZ),** and **Altria (MO).**

**High Yield ETFs.** These ETFs specialize in buying blue chips and preferred shares, so you don't have to buy into individual stocks. Look at their top 10 holdings and their prospectus to see what they like to purchase and hold. Some high yield ETFs I keep are **Global X Superdividend (SDIV)** and **Invesco Preferred ETF (PGX)**.

**Junk Bonds.** Junk bonds are bonds from corporations and businesses that may not be doing so hot. Therefore, their bonds produce a high amount of income because of the interest rates they must pay to borrow money. I invest in Junk Bonds through an ETF called **SPDR Corporate Bonds (JNK)**.

**Closed-End Funds.** Closed-End Funds are my favorite place to get high-income; however, you need to know what you are looking at and buying. Here is an article on Closed-End Funds. My two favorite CEFs are **Pimco High Dynamic Fund (PCI)** and **Reaves Utility Fund (UTG)**.

**Municipal Bonds.** Munis are a great way to get tax-free income. I like to purchase them in a closed-end fund called **Nuveen Municipal Bonds Fund (NVG)**. Here is an article on why you should try to get some of your income tax-free via Municipal bonds.

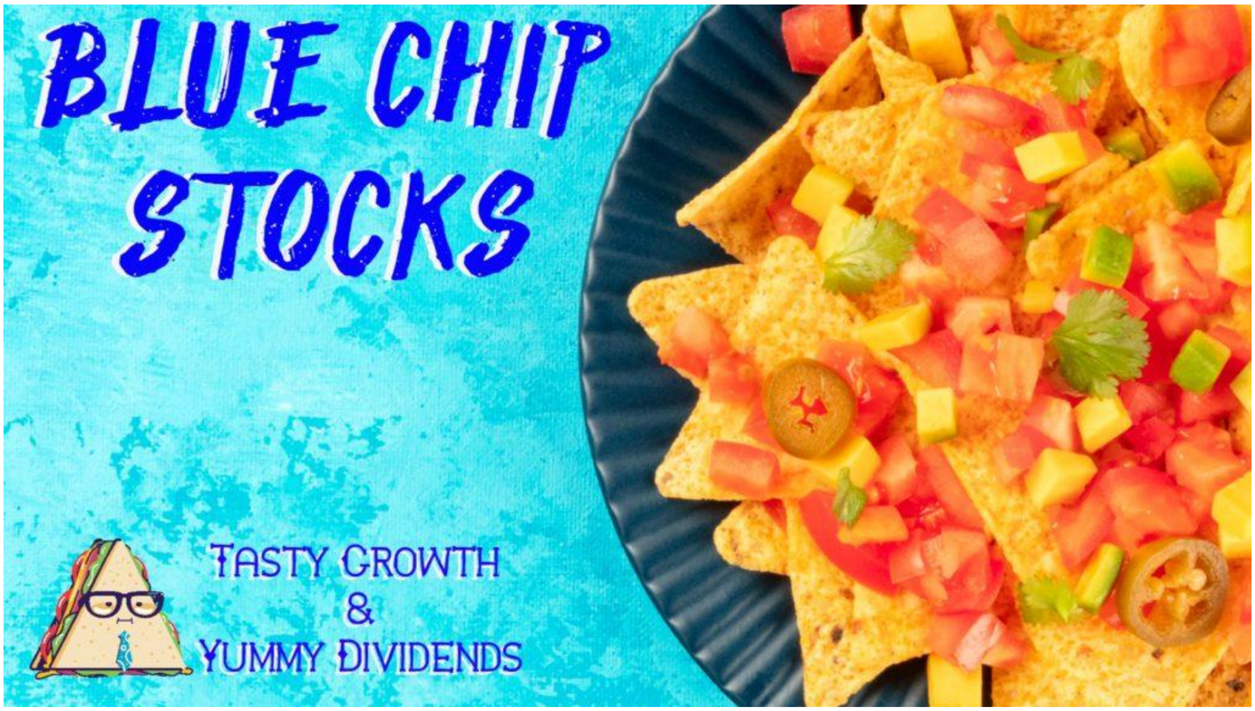
**Preferred Shares.** Preferreds are a great way to increase the dividend yield of your portfolio. The central concept is to buy preferred when they are yielding high amounts. I wrote an entire series on preferred shares. You have to learn where to find preferred shares to be successful at investing in them.

**Real Estate Investment Trusts.** You can find some fantastic yields in REITs; however, not all REITs are created equal. You will need to know what sector the REITs invest in and also how each one reacts to inflation and low/high-interest rates. Here is my series on REITs. Some of my favorite REITs are **AGNC (AGNC)** and **Medical Properties Trust (MPW)**.

As you can see, there are many ways to invest in high-yield products, and each one is unique. Do not buy securities just because of the yield; that is a losing battle. Know what you are investing in and why. Also, understand how it will react under stress.

If you can understand the investing thesis for each of your securities, you will be in a good position. I like to layer on index funds like **Total Stock Market (VTI)** and **Dow Jones Industrial Average (DIA)** to get some growth.

Then I also layer in a fair amount of blue-chip stocks like **Starbucks (SBUX)**, **Target (TGT)**, and **Microsoft (MFST)**. Together I ensure I am getting a fair amount of growth, income, and stability. I love investing because you can have it your way. Please dig into these articles and begin your high-yield journey!




**14 Blue Chip Stocks: Tasty Growth & Yummy Dividends**

Building a dividend portfolio is one of the most rewarding adventures that you can choose to partake in. Watching as your stocks start to not only grow but pay you dividends can be an exciting way to spend the month.

Blue Chip Stocks

We recently talked about adding index funds to your dividend portfolio, and I explained why the Total Stock Market Index Fund (VTI) was my favorite one. Next, we talked about high yield products like closed-end funds, real estate investments trusts, and preferred shares.

But what serves as the meat of our portfolio? If index funds are for growth and high-yield is for income, are there securities that can give us growth and income? Yes, there are, and they are called blue-chip stocks.

[Mailbox Money: The Power of Dividends, Royalties, and Rents]

**Blue-chip stocks** are the world's best companies—businesses that have been around for a long time and still are growing and paying dividends. If you invest in these companies for the long run, you stand to benefit from years of compounding interest and dividend growth.

Some examples of blue-chip stocks are McDonald's (MCD), Starbucks (SBUX), Walmart (WMT), and Johnson & Johnson (JNJ). Adding these stocks to your portfolio is the final key to unlocking growth and income and allowing you to sleep at night.

**How to find blue-chip stocks.** An excellent way to start building your blue-chip portfolio is to google "Blue-Chip Stocks." Yes, it is that simple—don't worry, we still have some research (called due diligence) to conduct.

Your Google results will probably return a list of **Dividend Aristocrats**, which are companies that have increased dividends for 25 years. **Dividend Kings** are companies that have raised dividends for 50 straight years. Please google these titles to get a list of current Aristocrats and Kings—as they do change.

Now, we can't just add every single Blue-Chip stock to our portfolio. I mean, we could, but at that point, we may as well buy the S&P 500 index fund (SPY). We need to get the appropriate blue chips that fit into our dividend portfolio well.

When adding blue-chips, the three things I look for are dividend yield, sector diversification, and what month they pay their dividend. Once I know those things, I can invest in the best companies in the world and watch as my dividends keep increasing over time.

[Boring Investing is Good Investing]

**Dividend Yield.** For blue chips (and all securities), we don't just look at the highest yield. The higher the yield, the slower the growth, as a soft rule. There are a few exceptions, say Abbvie (ABBV), but for the most part, the rule holds up.

For me, the sweet spot is between 2-3% dividend yield. This usually gets me some excellent growth and a nice dividend payout. Companies like Procter & Gamble (PG), McDonald's (MCD), and Johnson & Johnson (JNJ) fit nicely into this category.

You do have some outliers that you will still want to add. Software companies usually grow faster but have a much smaller payout. Microsoft (MFST), Visa (V), and Apple (APPL) are some of the high-growth dividend payers.

Stock Market 106:  High-Yield Alternatives

You have others who have very little growth but pay a high dividend—AT&T (T) and Verizon (VZ) fall into this category. You will want to mix it up and ensure you are getting some of the newer blue-chips and the older companies like Exxon (XOM) to give you huge dividends.

I would say to aim for a combined dividend yield of 2.5% for all of you blue-chips. Remember, you have your high-yield products for huge income payouts; blue-chips are for growth, stability, and compounding dividends.

**Sector Diversification.** Each company falls into a different sector on the stock market. The 11 stock sectors are:

a) Energy
b) Materials
c) Industrials
d) Utilities
e) Healthcare
f) Financials
g) Consumer Discretionary
h) Consumer Stables
i) Information Technology
j) Communication Services
k) Real Estate

Each sector has its quirks, and they all tend to ebb and flow throughout different periods. For instance, energy stocks (XOM) were hit extremely hard during March and April 2020. There was an oil crisis at the same time as the pandemic. Oil and natural gas companies hit rock bottom prices and super-high yields during this time.

Municipal Bonds: Tax-Free Goodness

Warren Buffet, probably the greatest investor who has lived, has a great quote. "**Be greedy when others are fearful, and fearful when others are greedy.**" This means to buy at the lowest prices. Energy had a great discount during these times.

At the same time, work-from-home companies like Microsoft and Apple had huge growth. Computers and services were flying off the online selves early in the pandemic. These sectors were information technology and consumer discretionary.

It is good to know what sector each of your blue chips fall into and ensure you are not overloading into one industry. As long as you are diversified into a few different categories and know how the sector reacts to interest rates and inflation, you should be okay.

Cash Flow 102: Creating Passive Income for Retirement

**When they pay dividends.** Finally, I like to look at when the companies pay dividends. Remember, I am trying to retire on dividends, so I want high income coming in monthly. I can find a high yield that pays me monthly.

From there, I can layer on my blue-chip stocks to get a great month of income from high-yield and blue-chips, with the occasional index fund dividend. An excellent place to look for dividend pay dates is Yahoo Finance. You can look at their price chart and sort by dividend pay dates.

Most blue-chips pay once every quarter. So the rotation for one would be something like January, April, July, and October. You will learn these like the back of your hand, and you will also know what companies pay when. I look forward to my dividend payments more than my work paycheck (maybe).

Print Your Own Money

**For the January string,** Altria (MO) and Phillip Morris (PM) are my favorites. **For the February string**, AT&T and Abbvie (ABBV) are my go-to's. **And for the March string**, Johnson & Johnson (JNJ) and McDonald's (MCD) are my jam.

**Conclusion.** Blue chips are vital to a growing, compounding dividend portfolio. People have become ultra-rich over time, investing in blue chips. You will want to get some of the mature companies with high payouts, as well as younger companies.

Part of the fun is trying to pick the younger businesses that will eventually turn into the most prominent companies. Right now, Ally Bank (ALLY) is one of my favorites for the long term.

My wife just put together her first dividend portfolio on Cash App. It had an index fund (VTI), a monthly-paying REIT (AGNC), January blue-chip (MO), February blue-chip (T), and March blue-chip (PRU). Yes, building a portfolio is that simple. From there, it is just about adding some diversification.

I hope you learned something awesome from the article. If you are interested in more on dividends, check out the article "How We Plan to Retire on Dividends (book)." Please follow our Facebook Page to get daily passive income articles. Enjoy and Happy Investing.


**15 My 24 Favorite Blue-Chip Stocks**

Ah, the magic of blue-chip stocks cannot be understated. Not only can they provide steady growth, but also excellent dividend growth as well. These two factors make them compounding powerhouses. Now, if only you could discover some of the best blue-chip stocks out there.


**Blue Chip Stocks**

I am here to help, but before I go into my favorite blue chips, go ahead and check out the sister article "Blue Chip Stocks: Tasty Growth and Yummy Dividends." If you are new to the world of investing, please start with this article, "How We Plan to Retire on Dividends (book)."

These are the blue chips I hold across my five dividend portfolios. I invest in each of these stocks either weekly or monthly. STASH is the best app for investing weekly into multiple separate companies.

Why I am Bullish on Chainlink

I will write a quick sentence or two about the company and whether the dividend yield is low (1-1.5%), medium (1.6-3.5%), or high (3.6% or higher). Also, I will list the dividend payout months. **January** (refers to January, April, July, and October). **February** (refers to February, May, August, and November). **March** (refers to March, June, September, and December). I will also list their sectors. Let's begin.

**1. McDonald's** (MCD) **Dividend yield:** Medium **Sector:** Consumer Discretionary **Dividend:** March
Boy, do I love McDonald's. I don't know which is better, their stock or their food—this is by far my favorite blue chips stock. They are a restaurant powerhouse and have an excellent yield along with good growth. I am so proud to own MCD.

**2. Coca Cola** (KO) **Dividend yield:** Medium **Sector:** Consumer Discretionary **Dividend:** January
Coke has been around a long time. You buy Coke for their dividend yield and their ability to stick around for a long time. They have done a great job of diversifying their products over time—and I foresee that continuing.

**3. Realty Income** (O) **Dividend yield:** High **Sector:** Real Estate **Dividend:** Monthly
Realty Income is a Real Estate Investment Trust (REIT) that specializes in triple net lease properties. This means they own the land, and the tenant pays most of the bills, including property taxes. Taco Bell is one of their main tenants. They produce a tremendous monthly dividend.

**4. Altria** (MO) **Dividend yield:** High **Sector:** Consumer Staples **Dividend:** January
Altria is a tobacco company, so many people avoid it. I'll keep my dividends coming in. Government leadership is trying to force cigarettes out of existence, so Altria is pivoting to other sources of income like IQOS heat-not-burn cigarettes.

Retirement Planning for the Average Person

**5. Phillip Morris** (PM) **Dividend yield:** High **Sector:** Consumer Staples **Dividend:** January
Phillip Morris is also a tobacco company, just like Altria. In fact, they were once one company. All the same guidance applies to Altria. Buy for the dividends.

**6. AT&T** (T) **Dividend yield:** High **Sector:** Comm Services **Dividend:** February
AT&T is one of the most discussed stocks on the market because of its super high yield (7%). There is talk of a dividend cut that would potentially increase growth. In its current form, but for the dividends. One of my favorite stocks. AT&T paydays are amazing.

**7. Abbvie** (ABBV) **Dividend yield:** High **Sector:** Healthcare **Dividend:** February
One of the few companies with high growth and high dividend yield. People avoid this stock because of the pending loss of the Humira patent. This means that other companies can build generic drugs off of the Humira protocol. I am still a huge fan and a big investor.

Accumulate Your First $100,000

**8. Kinder Morgan** ([KMI]) **Dividend yield:** High **Sector:** Energy **Dividend:** February
Kinder Morgan operates natural gas pipelines throughout North America. A nice, boring stock that pays a huge dividend. Energy is usually dull, but those dividends are very exciting. Invest for the dividend.

**9. Pfizer** (PFE) **Dividend yield:** High **Sector:** Healthcare **Dividend:** March
We saw how vital Pfizer is during the pandemic. The best growth years may be behind the stock, but the dividend is a great reason to hold Pfizer. The company is still a cash flow king, so I am buying as much as I can.


**10. Pepsi** (PEP) **Dividend yield:** Medium **Sector:** Consumer Discretionary **Dividend:** March
Pepsi is everywhere, even places you aren't looking for them. Look at the graph above. The dividend is healthy, and there may be some small growth coming. I buy them because Pepsi will be around for a long time. My grandkids will be drinking Pepsi and Coke (hopefully Coke).

**11. Walmart** (WMT) **Dividend yield:** Low **Sector:** Consumer Staples **Dividend:** January
We saw how important Walmart was during the pandemic. I know it felt great to get out and go to Walmart during the lockdown. Growth is slow, and the dividend is low, but I like it as a long-term play. As much as Amazon is taking over for online shopping, a neighborhood isn't great unless Walmart moves in. The dividend moves between months, which is somewhat weird.

Inflation vs. Dividends

**12. Prudential Financial** (PRU) **Dividend yield:** High **Sector:** Financial **Dividend:** March
Insurance is super dull, making Prudential one of my most boring companies. However, I get excited every time my PRU dividends come through my Cash App. Huge dividends and some growth over time, it's hard to lose with Prudential.

**13. T. Rowe** (TROW) **Dividend yield:** Medium **Sector:** Financial **Dividend:** March

T. Rowe Price provides financial services to individuals, companies, retirement plans, etc., including managing portfolios. In layman's terms, they manage mutual funds, along with much more. Managed funds will always be popular because many people fear getting into the stock market without guidance. The growth on this stock is impressive, plus a good dividend. Buy this stock for both growth and dividend.

**14. Procter & Gamble** (PG) **Dividend yield:** Medium **Sector:** Consumer Staples **Dividend:** February
Procter & Gamble was huge during the pandemic. PG brands include Tide, Gain, Charmin, Covergirl, and Febreeze. So I have been buying PG brands for a long time, may as well buy the stock. Medium growth and medium dividends make for a great long-term play.

**15. Verizon** (VZ) **Dividend yield:** High **Sector:** Comm Services **Dividend:** February
Verizon's best years of growth may be behind it, but everyone needs a cellphone. The dividend is a great reason to invest and continue to dollar-cost average in. They usually pay on the same day as AT&T, which makes for a fabulous February 1st!

How to Invest During a Downturn

**16. Apple** (APPL) **Dividend yield:** Low **Sector:** Information Tech. **Dividend:** February
Apple is still a high-growth stock and has years of extraordinary returns for investors ahead. Heck, I am thinking of buying the new iMac, and I haven't bought an Apple product in four years. However, the dividend yield is super low (about 0.70% today). Buy, hold, and continue to buy for a long time. I predict that they will become a dividend powerhouse in roughly 20 years.

**17. Public Storage** (PSA) **Dividend yield:** Medium **Sector:** Real Estate **Dividend:** March
Self-Storage is a vast business, and it is still growing year over year. Public Storage is a blue-chip REIT and in the S&P 500. Why not get those rental income profits via dividends. PSA is still a growth company, and the dividend is medium as well. An outstanding buy-and-hold stock.

**18. Johnson & Johnson** (JNJ) **Dividend yield:** Medium **Sector:** Healthcare **Dividend:** March
Johnson & Johnson has been around for a long time and has been paying a dividend for many years. They are still growing, and we saw how valuable they are during the pandemic. Some of their brands include Tylenol and Benadryl. I would recommend JNJ to anyone who wants growth and yield.

**19. Cincinnati Financial** (CINF) **Dividend yield:** Medium **Sector:** Financial **Dividend:** January
I never heard of Cincinnati Financial until I started researching dividend payers. CINF has increased its dividend for 60 years straight, and I am delighted I found this company. They are just a boring insurance company, that is, until dividend payday.

How Do You Want Your Dividends Served?

**20. CVS Health** (CVS) **Dividend yield:** Medium **Sector:** Healthcare **Dividend:** February
CVS has performed well during the pandemic and beyond. I think we all see the value of having a local medical service location to conduct business. Growth is slow but still strong and a medium dividend—a great long-term medical play.

**21. Starbucks** (SBUX) **Dividend yield:** Low **Sector:** Consumer Discretionary **Dividend:** February
Who doesn't love Starbucks? I think SBUX proved that everyone still wants to buy coffee, no matter the cost. I prefer McDonald's coffee, but I will take an Iced Caramel Macchiato whenever I get a chance. They are still in the growth phase, so the dividend is low. Buy and hold for a long time.

**22. Exxon** (XOM) **Dividend yield**: High **Sector:** Energy **Dividend:** March
Everyone wants to get rid of oil and fossil fuels, but they are here for another 40-50 years (in my opinion). Exxon was beaten up badly during the pandemic and oil crisis in early 2020, but they have recovered nicely, along with oil prices. Man, those XOM paydays are enormous! Buy and hold, and you can use the dividends to buy into alternative energy plays.

**23. Target** (TGT) **Dividend yield:** Low **Sector:** Consumer Staples **Dividend:** March
Yes, I can hold Walmart and Target—they serve different consumers. Target has moved into clothing lines and the online space. I love walking into Target, and I think they have done an excellent job of diversifying away from Walmart. Maybe they are secretly working together? Target is still growing, so the dividend is low. Buy and hold for your grandkids.

**24. Well Fargo** (WFC) **Dividend yield:** Low **Sector:** Finance **Dividend:** March
The federal reserve pretty much made Wells Fargo cut their dividend during the pandemic, but I held and gained excellent capital appreciation. Hopefully, the dividend doubles soon. Everyone should own at least one of the four major banks (Wells Fargo, JP Morgan Chase, Bank of America, and Citibank). I use Wells Fargo brokerage, so I love the stock. Hopefully, we get back to the 3-4% dividend yields over the next five years.


## 16 Selling Covered Calls for Passive Income

Options, options, options—we all love having options. Therefore, we should all learn how to trade options on the stock market. Learning to trade options is part of our bigger plan to diversify our passive income.


**Free 47-Page PDF Download**

First, a quick disclaimer. This article will not give you an exact science or step-by-step guide to selling covered calls. I will refer you to a couple of books that will help you along your path if you like what you read.

Even those books may not be enough to teach you exactly how to trade options. I watched a YouTube video to learn how to conduct the step-by-step tutorial on trading a covered call on Charles Schwab. Options are complex, so be warned. I am giving you an idea of why options are vital to our long-term passive income goals.

Don't Gamble Your Retirement Away 4

Speaking of long-term passive income goals, let's take a bird's eye view of retirement as an average person (that's us). To build our happy cash flow retirement system, we will use the combination of retirement income, investing, cryptos, real estate, and business.

Under the investing pillar, we have dividends, interest, commodities, and gold (& silver). Once we have a large enough dividend portfolio, we can trade options to increase or supplement our dividend income.

Let's talk a little bit about options before we get into the philosophy of trading covered calls. Options give the buyer the right to buy or sell the underlying stock or asset, not the obligation.

**Buying a call option** gives the buyer the right to buy the underlying stock from the seller. **Buying a put option** gives the buyer the right to sell the underlying stock to the seller.

When you are the seller of options contracts, you are in the insurance game. You are giving the buyer some form of insurance to perform whatever move they are attempting in the stock market.

The first book we should read is called "The Options Playbook." It gives a nice history of options and also many different options plays. It is good to have an extensive overview of options trading before drilling down into our specific techniques.

The Pros and Cons of Dividend ETFs

Now, do not fear if buying and selling options sound confusing—it is off-putting. It is very different from buying stock or shorting stocks. Since options are so confusing, they can be dangerous for new traders like us.

Therefore, our brokerages have put safety mechanisms in place to protect us from harm. The first of which is having options trading levels that we must qualify for first. Each options play (or technique) requires a skill level.

To conduct our play, our brokerage must qualify us to make this play under our options level. Trading covered calls require a level 0 trading account on Charles Schwab. Even though it is the lowest level, you still have to request permission to access options trading. I was able to qualify as a level 0 options trader.

Now let's get into the overview of trading covered calls. I highly recommend you read the excellent "Covered Calls for Beginners" for a very in-depth look at covered calls. I plan on reading an in-depth book for every play I want to learn. Options trading has many benefits, but we have to take it seriously and conduct due diligence.

Do I Need Lots of Money to Start Investing?

Selling a covered call means selling insurance to the buyer while you own the underlying stocks. One option contract consists of 100 shares of the underlying stock. Since you own the 100 shares, you are “covered” if the buyer exercises the contract.

Two important terms are the “**strike price**” and “**in the money**.” The strike price is the agreed-upon price that the option will be “in the money.” We will get into these as we progress. I think it's prudent to give an example to dissect it as we dig deeper. Don’t worry if this is confusing; it took many more months and a few books to wrap my brain around options. Remember to keep a growth mindset vs. a fixed mindset. A growth mindset allows us to learn, even when things seem difficult.

We own 100 shares of AT&T (T) stock. The current price of T is $28. Let’s say T has been range-bound between $27 and $30 for over two months. We are not expecting any major news in the upcoming 30 days.

Mailbox Money: The Power of Royalties, Rents, and Dividends

We decide to sell a covered call with a strike price of $30. **As long-term investors, we do not want to lose our stock; we want to collect the premium and let the option contract expire worthless**. That is why we can sell covered calls for passive income. I’ll discuss this more after the example.

T **Oct 01,** 2021 (**Fri: 26** days) — **8** out of **13** Strikes Show: 8 | 16 | All

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 24.00 | 3.50 | 3.75 | 3.27 | 0 | 0 | 7 | i | Select | Trade |
| 25.00 | 2.57 | 2.62 | 2.63 | -0.22 | 46 | 202 | i | Select | Trade |
| 26.00 | 1.61 | 1.74 | 1.49 | +0.13 | 14 | 57 | i | Select | Trade |
| 27.00 | 0.76 | 0.85 | 0.73 | -0.19 | 178 | 3,512 | i | Select | Trade |
| 28.00 | 0.26 | 0.28 | 0.26 | -0.08 | 1,363 | 5,216 | i | Select | Trade |
| 29.00 | 0.08 | 0.09 | [illegible] | [illegible] | 706 | 2,207 | i | Select | Trade |
| 30.00 | 0.04 | 0.05 | 0.04 | -0.02 | 367 | 2,335 | i | Select | Trade |
| 31.00 | 0.02 | 0.04 | 0.02 | -0.03 | 1 | 353 | i | Select | Trade |

This chart may confuse you; however, we see that the strike price of $30 offers us a price range of $0.04 and $0.05 a share. We can offer to sell our call at $0.04/share for a total of a $4 premium. We can also see that there is 367 “open interest” in this call—so there is liquidity there.

We sell our covered call for $4 minus the broker’s fee, and then we wait 26 days for it to expire—hopefully worthless. If all goes as planned, we keep our premium (we keep our premium no matter what), and we do the same covered call next month.

Now, let’s dig more into the mindset of selling covered calls for passive income. First, we need to own plenty of shares in our blue-chip stocks. Those are the stocks we should be trading options with monthly because high-flying stocks or growth stocks, like Draftkings or Palantir, move up and down at incredible speeds. Here is a list of my 24 favorite blue-chip stocks; there are many more than those I list.

We can safely sell covered calls once we have enough shares in our blue-chip stocks, say 400-500. First, we want to look at the 3-6 month chart of our blue-chip stock to see its trading range. **We want to assign a strike price that will allow us to keep our premium and our stocks safely**.

Do not get greedy with the strike price. As you can see, the closer to being "in the money," the more premium we can collect. This extra premium can be tempting, but we need to think as long-term investors and protect our stocks at all costs.

Stocks vs. Cryptos

**Why are buyers buying insurance?** It is good to know the rationale of the buyers as well. Most likely, the buyer of the call is expecting the stock to make a significant jump in price during the move towards the expiration date.

In our example above, the buyer may think that the T stock will move to $33 or $34. If the price moves that high, they can either sell the contract for a profit or collect the stock and sell the stock for a profit.

Whatever the buyer's intent, we, as sellers, want to collect our premium safely. Now, what does this $4 premium do for our overall yield? Let's say AT&T yields 7.55% annually. Each share currently pays us $2.08. That means our 100 shares would produce us $208 annually.

If we collected our premiums safely each month, at $4 per contract, that would give us $48 in insurance premiums (minus broker fees). We can then add that $48 to the $208 of dividend income we receive, for a total of $256. Our total yield increases from 7.55% to 9.29%.

Retirement Planning in Your 50s

If you are confused, that is okay. It takes a while to wrap your head around these concepts. If they were simple, everyone would trade options. Let's review how we could use options on the path to living our dream laptop life.

Options will increase the yield of our blue-chip stocks by forcing "**synthetic dividends.**" Trading options and selling covered calls is a safe way to collect premiums. The worst that can happen is that the stock crosses the strike price, and our stocks get called.

We can trade options from anywhere in the world so that we can certify them for laptop life. The hardest part, once we understand covered calls, is to remain consistent. We do not want to get greedy with the strike price. We want to collect our premiums safely and repeat the trading process next month. That is how we continue to build wealth, month after month.

Did you understand the purpose of selling covered calls? Do you want to read more about options? I recently read a book about selling cash-secured puts to buy dividend champion stocks. I will write an article about that technique next time. Enjoy and Happy Investing.

**THE MAGIC OF**


## 17 The Magic of Dividends: Guilt-Free Spending

Did you ever have a best friend that you could count on through thick and thin? Isn't it great to be able to trust someone and make decisions based on that trust? Well, there is a way to rekindle that trust in the form of monthly income.

Having monthly income coming in consistently is like using a warm blanket inside a nice air-conditioned room in the desert. Even though you like to have the house nice and cool, it still feels good to have the choice to warm yourself with a blanket.

Dividends give you a choice on how you want to spend your income. If you have never received dividends before, then you are missing out on the magic. You see, receiving dividends is like receiving free money, at least to me. I'll explain.

I currently work hard for money. I go to my daily job in the military, quietly earning a wage. I use all of my earned income to pay expenses and fund my dividend portfolio. I have been doing this for two years, during which time I have decreased my spending habits.

When I started dividend investing, I was concerned about building a retirement portfolio to take into retirement. As I learned more and more about passive income sources, I created various income streams.

I started by investing with small amounts, but soon it became a passion. I reinvested all of my dividends back into the stocks that they came from. I opened more and more brokerage accounts. I now have five brokerage accounts, and my wife has four.

I also have a treasurydirect.gov account where I keep government bonds and a Fundrise account, a real estate investment trust that pays me quarterly dividends. I won't even go into my rental income and royalties—I'll save those for another article.

Needless to say, I stuck with my dividend investing over the last two years, and now my wife and I have amassed over $170,000 in our portfolio. I am forty years old, and I will be a millionaire (from my dividend portfolio) before turning fifty.

The terrifying part is that our dividend portfolio is only part of our five-pillar approach to our cash flow retirement. The other pillars are becoming just as strong as dividends; the other pillars are retirement income (military pension, social security), cryptocurrency (capital gains, interest payments), rental income (homes, rooms), and business (royalties).

All of this is a long-winded way to say I can enjoy some of my dividends today. When you look up and earn passive income every day, it changes your perspective on things.

My wife and I put in the work to learn about passive income and build our dividend payments. By having five different dividend accounts, I can choose how I want to spend my dividends. And this is the magic of dividends: **guilt-free spending**.

If you are like me, you didn't grow up with a lot of money. In your 20s, you were working hard for money, and you had to buy some items with your credit card. You are not a crazy spender, but you have to do what you have to do when you have a young family.

But, the day finally comes when you have to pay off your debt, and that is when you start to feel it—the guilt. You begin to feel guilty when you spend money on yourself. You may see a videogame or jewelry and have an urge to buy it; then you think about how responsible you need to be.

You think about paying off your car loan, student debt, credit cards, etc., and you want to do the right thing. One day, you ultimately pay off your debt, but you know what remains? The guilt. You still feel as though you have to prepare for the future by saving and investing.

And then one day you realize **you are rich**! It kind of sneaks up on you. As I write in "From -$77,000 to +$150,000 in 22 Months," it happens fast. All the money that you were paying towards debt now is going into your dividend portfolio. You receive a pay raise from work, your rents increase, and your royalties improve.

Also, your dividend payments have increased to a level that they are fun to receive. So you are relatively young (40 or 50), and if you continue on the same glide path, you will become even more prosperous. What are you going to do? You are doing everything right; all you have to do is continue on the path. Perhaps create more streams of passive income, because, why not?

Now, back to that guilt. For me, I looked at all that I have learned and all that we are doing. We are doing amazing things at a young age. Our kids have brokerage accounts, treasury bonds, and rental properties. Plus, I still go to work every day. Why do I still have this guilt?

We are taught to work hard from money. Passive income is the exact opposite; it is **thinking** hard for money. When we don't have to work 8-10 hours a day to earn a paycheck, it concerns us. This is how we are taught to build an income, by exchanging time for money. **Bullocks!**

It is time to enjoy our lives. We achieved the unimaginable. We paid off our debt, set up our kids for the future, have an emergency fund, own rental properties, created royalties from our creative works, and built an extensive dividend portfolio—what more do we need to do before we give ourselves a break?

So, my guilt is subsiding. When I receive dividends, I have every intention to spend them, at least in my Cash App. You see, my Cash App dividends arrive directly to my checking account and can be spent using my Cash App debit card—immediately when I receive them.

It is like receiving little paydays throughout the month, except now they are not so little. Last month, my total from Cash App dividends was $77. That is $77 of guilt-free money deposited directly into my checking account.

If you haven't received guilt-free money, it is a game-changer. To me, it may as well be $1,000 because you can buy anything you want and have zero remorse or worry. You know that next month, you will be receiving even more guilt-free money.

Remember, I am investing all of my earned income from my job. So each month, my dividends will continue to increase. I am also reinvesting 70-80% of my dividends, which leads back to guilt-free spending.

Have you ever walked through a store with $77 trying to spend it on something? You have zero guilt. You aren't telling yourself, "Oh, I need to pay down the credit card," or "I should save this for a rainy day."

No, this is your money, and you know that your investments will continue to grow and keep paying you. This cash is just a small showing of appreciation from your investments to you. Thanks, brother.


If you have no idea what I am talking about, you probably haven't got on the dividend bandwagon yet. That's okay; you still have time. You can start now by reading my article "How We Plan to Retire on Dividends (book)."

I'll be honest; your dividends will start with minimal amounts. My first month off dividends was a total of $0.25. For the entire month. You know what? I was incredibly proud of that quarter because it was my first taste of passive income. It started the fire that still drives me every morning.

Now our dividends are roughly $500/month. I have a single monthly dividend that pays me $52 on the first of every month. I look forward to that money more than the paycheck from my job. It is truly magical to see money appear from the air—all the while your investments are still growing.

This article is probably hard to read and understand if you don't know the feeling of dividends. The best thing is to jump in and get started. Start small, start large; you will have to overcome your learning curve. Everyone has their own risk tolerance; there is no investment style for the masses.

The only way to learn is by doing, so jump in. Trust me; the water is warm and guilt-free. The even scarier part is this. My wife and I have only been doing this for exactly two years. What happens when we get to $2,000/month or $4,000/month. It will be insane.

But all we can do now is keep grinding our accounts up. We can enjoy our small victories in the form of dividend payments. In the end, having $77 to spend guilt-free is all we need. Everything else is a bonus. Good Luck!


## 18 The Magic of Index Funds

Man, do I love dividends. But do you know what I love just as much as dividends? Ensuring that my capital (money) is also growing along with the stock market. When you invest for dividends, capital appreciation is a secondary requirement for your stocks.

In English, when I buy dividend stocks, I am looking for them first to pay me, and second to grow in value. However, in my opinion, I still want my overall portfolio to continue to appreciate. To ensure that my portfolio keeps up with inflation and continues to appreciate, I use index funds as its growth element.

**What are index funds?** Index funds are electronic traded funds (which are baskets of stocks) correlated (tied) to a specific index. For example, if I created an index called the "A" stocks that contained Apple, AT&T, and Abbvie, I could make an index fund tied to the "A" stocks index.

[Dividends vs. Capital Gains]

Because the index fund is tied directly to an index, it requires very little management, thus costing very little in expenses. Expenses can add up very quickly, so index funds are a great way to invest while saving your capital from expenses.

**Investing strategy.** Many, many people ONLY invest in index funds. It is damn near impossible to lose money in the long run with index funds. The stock market has never lost money over a specific twenty-year period. Thus, if you invest in stock market index funds, you will attach yourself to these same gains.

**The problem with index fund investing.** There is a problem with index fund investing, at least in my opinion. People who invest in index funds for the duration of their lives will have to sell their index funds to extract value from them.

Index funds pay very little in the form of dividends, yielding 1-2%. So, if I had $1 million of index funds, that would equal $10,000-$20,000 of dividend income per year. Of course, the value of my index portfolio would grow, but I would need to sell some securities to obtain income.

Introduction to REITs part IV: REITs vs. Rentals

Also, investing in dividend-paying stocks has perks like dividend growth, capital appreciation, mergers, dividend raises, and compounding of dividends. I love to combine these methods of investing. In fact, I wrote two entire articles about my combined approach, "Stock Marketing Investing 103" and "Investing for Dividends 104."

**Why I love index funds.** I love index funds because they are drop-dead simple. You cannot, I repeat, cannot miss these things up. You find the index funds you like, and you add money to them every week and every month. That's it. For the most part, you reinvest the dividends that they pay you and keep doing that for the rest of your life.

Another reason I love index funds is that I use them to supplement the gains of my high-yield dividend investments. For example, I love to invest in closed-end funds—which are not known for their capital appreciation.

So, I can purchase a ton of Pimco Dynamic Fund (PCI) knowing that it will not appreciate. Therefore I can add an equal amount of my favorite index fund and get capital appreciation.

Investing for Dividends 102: Keeping Score

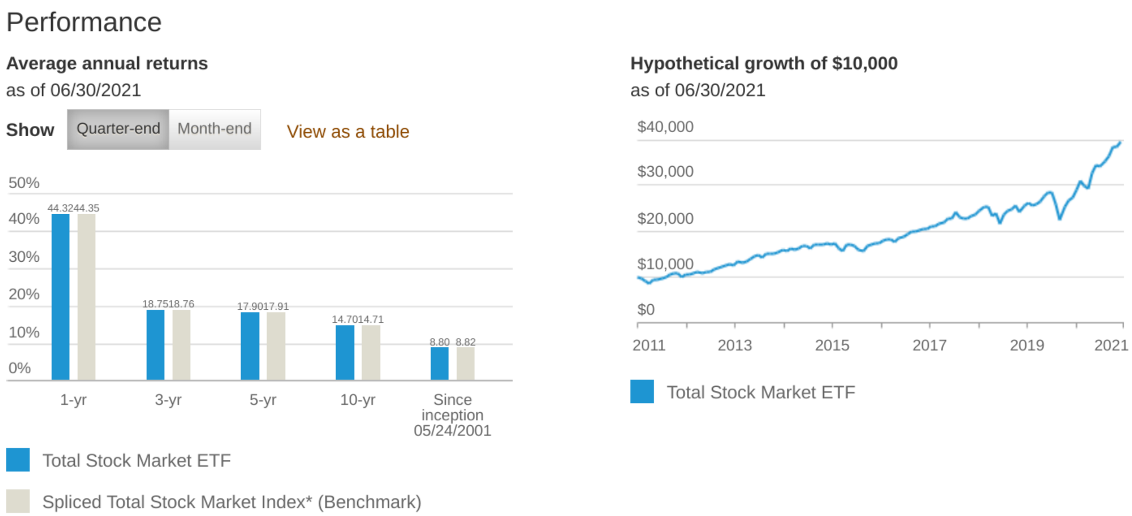
If I had $10,000 to invest, I would put $5,000 in PCI and $5,000 in VTI (more on this later). PCI would give me a 10% dividend yield, and VTI would give me roughly 10% capital appreciation. So, I would have a 5% dividend yield and a 5% capital appreciation. I would be getting solid returns and will be paid close to $45-50/month. Not bad at all—this is my overall investing strategy.

I start my dividend portfolio with high-yield products such as REITs, Preferred Shares, and Closed-End funds. Then I layer in Dividend Growth stocks, otherwise known as blue-chip stocks. Finally, I add in my favorite index funds to ensure I am capturing the growth of the overall markets.

**But Josh, what the heck is your favorite index fund!?** Okay, okay—sorry. I like to give the full context before I get into the details. I have four index funds that I have in almost all of my portfolio. My top index fund is usually the top holding in all of my portfolios. Let's take a look.

[Municipal Bonds: Tax-Free Goodness]

#1) My favorite index fund is **Vanguard Total Stock Market Index Fund** ETF or **VTI**. I absolutely adore this index fund because it has served me well since I started dividend investing. I would consider this index fund my best friend. It is tough to mess up your total portfolio if you have an allotment of this index fund around.




Look at the gains that VTI has made overall since its inception. Keep in mind that you want to buy as much VTI as possible when the market is down. That is why, in your portfolio, you would have gained so much more over time. Whenever I hear the stock market drop 2-3%, I am "all in" on buying VTI. It's a no-brainer. Let's take a look at the combination of VTI and PCI that I talked about earlier.

ETFs

| Symbol/Description | Trade Date | Shares @ Cost | Last Price/ Change | Market Value/ Today's Change | Unreal. Gain/Loss | Estimated Annual Income |
|---|---|---|---|---|---|---|
| VTI VANGUARD TOTL STK MK ETF | Multiple(10) | 18.148 @ $194.77 | $225.88 +$2.70 | $4,099.27 +$49.00 (+1.21%) | +$564.62 +15.97% | $50.87 |

| Symbol/Description | Shares @ Cost | Last Price/ Change | Market Value/ Change from Prev | Unreal. Gain/Loss | Client Investment Gain/Loss | Estimated Annual Income | Morningstar Rating Overall |
|---|---|---|---|---|---|---|---|
| PCI PIMCO DYNAMIC CREDIT | 292.000 @ $21.90 | $22.62 +$0.12 | $6,605.04 +$36.21 (+0.55%) | +$210.95 +3.30% | +$210.95 +3.30% | $609.65 | Not Rated |

You can clearly see that the lion's share of growth (16%) comes from VTI and the lion's share of income ($610) comes from PCI. So, I am getting good returns and an excellent monthly income average of $55. I couldn't ask for more.

I am a simple investor. I just want to look at my overall portfolio, see that it is doing well, and have it produce a high income in the form of dividends. When I first started dividend investing, I didn't use a growth element at all. It was a nightmare. I want to share in the returns of the stock market and get paid while doing so. Is that too much to ask? Let look at a couple of other examples of how I use VTI.

**Accounts Summary**

| Total Accounts Value | Total Cash & Cash Invest. | Total Market Value | Total Day Change[1] | Total Cost Basis | Total Gain/Loss[3] |
|---|---|---|---|---|---|
| $12,878.57 | $218.35 | $12,660.22 | +$181.16 (+1.43%) | $11,850.86 | +$809.36 (+6.83%) |

View Realized Gain/Loss

| Name | Account | Account Value | Cash & Cash Invest. | Market Value | Day Change[1] | Cost Basis | Gain/Loss[3] |
|---|---|---|---|---|---|---|---|
| Individual | 9515-4550 | $12,878.57 | $218.35 | $12,660.22 | +$181.16 (1.43%) | $11,850.86 | +$809.36 (+6.83%) |

Group By: Security Type  Settings  Condensed View: ON

**Individual 9515-4550**

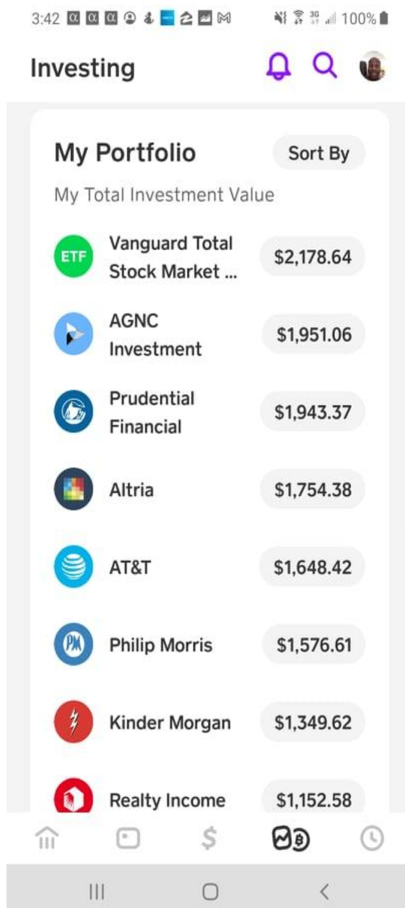
| Symbol | Name | Quantity | Price | Price Change $ \| % | Market Value | Day Change[2] $ \| % | Cost Basis | Gain/Loss[3] $ \| % | Reinvest? | Cost/Share | Dividend Yield | Last Dividend | % of Account[4] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Equities** | | | | | | | | | | | | | |
| T | A T & T INC | 26.6383 | $28.45[5] | +$0.27 | $757.86[5] | +$7.19 | $795.64 | -4.75% | Yes | $29.87 | 7.2% | $0.52 | 5.88% |
| MO | ALTRIA GROUP INC | 13.8889 | $47.40[5] | +$0.97 | $658.33[5] | +$13.47 | $674.89 | -2.45% | Yes | $48.59 | 7.4% | $0.86 | 5.11% |
| AAPL | APPLE INC | 4.8419 | $145.11[5] | +$1.87 | $702.61[5] | +$9.05 | $620.06 | +13.31% | Yes | $128.06 | 0.6% | $0.22 | 5.46% |
| COST | COSTCO WHOLESALE CO | 2.472 | $412.37[5] | +$5.22 | $1,019.38[5] | +$12.90 | $890.91 | +14.42% | Yes | $360.40 | 0.8% | $0.79 | 7.92% |
| JNJ | JOHNSON & JOHNSON | 4.7057 | $169.75[5] | +$0.67 | $798.79[5] | +$3.15 | $746.07 | +7.07% | Yes | $158.55 | 2.5% | $1.06 | 6.2% |
| MCD | MCDONALDS CORP | 3.3282 | $235.68[5] | +$2.84 | $784.39[5] | +$9.45 | $742.18 | +5.69% | Yes | $223.00 | 2.2% | $1.29 | 6.09% |
| PM | PHILIP MORRIS INTL | 7.6297 | $99.40[5] | +$1.03 | $758.39[5] | +$7.86 | $673.50 | +12.6% | Yes | $88.27 | 4.9% | $1.20 | 5.89% |
| PSA | PUBLIC STORAGE REIT | 2.5526 | $311.68[5] | +$4.50 | $795.59[5] | +$11.49 | $646.44 | +23.07% | Yes | $253.25 | 2.6% | $2.00 | 6.18% |
| O | REALTY INCM CORP REIT | 10.4192 | $68.87[5] | +$0.97 | $717.57[5] | +$10.11 | $672.19 | +6.75% | Yes | $64.51 | 4.1% | $0.2355 | 5.57% |
| UBER | UBER TECHNOLOGIES INC | 4 | $49.07[5] | +$1.52 | $196.28[5] | +$6.08 | $116.86 | +67.96% | Yes | $29.21 | N/A | N/A | 1.52% |
| VZ | VERIZON COMMUNICATN | 14.3178 | $56.07[5] | +$0.39 | $802.80[5] | +$5.58 | $820.07 | -2.11% | Yes | $57.28 | 4.4% | $0.6275 | 6.23% |
| VYGVF | VOYAGER DIGITAL LTD F | 19 | $16.24[5] | +$0.85 | $308.56[5] | +$16.15 | $375.39 | -17.8% | No | $19.76 | N/A | N/A | 2.4% |
| WEN | WENDYS CO | 2.0321 | $23.01[5] | +$0.26 | $46.76[5] | +$0.53 | $31.22 | +49.78% | Yes | $15.36 | 1.8% | $0.10 | 0.36% |
| **Equities Total** | | | | | **$8,347.31** | **+$113.01** | **$7,805.42** | **+6.94%** | | | | | **64.82%** |
| **ETFs & Closed End Funds** | | | | | | | | | | | | | |
| SDIV | GLOBAL X SUPERDIVIDEND... | 112.9507 | $13.85[5] | +$0.18 | $1,564.37[5] | +$20.33 | $1,551.60 | +0.82% | Yes | $13.74 | 7% | $0.088 | 12.15% |
| SCHD | SCHWAB US DIVIDEND... | 15.16 | $76.03[5] | +$1.11 | $1,152.61[5] | +$16.83 | $1,088.85 | +5.86% | Yes | $71.82 | 2.9% | $0.5396 | 8.95% |
| VTI | VANGUARD TOTAL STOCK... | 7.055 | $225.88[5] | +$2.70 | $1,593.58[5] | +$19.05 | $1,402.64 | +13.61% | Yes | $198.82 | 1.2% | $0.6753 | 12.37% |
| **ETFs & Closed End Funds Total** | | | | | **$4,310.56** | **+$56.21** | **$4,043.09** | **+6.62%** | | | | | **33.47%** |

You can see VTI at the very bottom, accounting for almost 13% of my portfolio. My Charles Schwab portfolio is what I call my blue-chip growth portfolio. However, VTI has a prominent role in it. Let's look at my M1 Finance account.

| Name | Value | Gain / Return | Actual / Target |
|---|---|---|---|
| 4. Dividends Feb-May-Aug-Nov | **$3,769.00** | +$431.20 ▲37.63% | 20.3% **20%** |
| 3. Dividends Jan-Apr-July-Oct | **$3,692.53** | +$409.15 ▲35.85% | 19.9% **20%** |
| 1. Indexes | **$3,692.44** | +$303.61 ▲25.33% | 19.9% **20%** |
| 2. High Yield | **$3,680.66** | +$253.81 ▲21.52% | 19.9% **20%** |
| 5. Dividends Mar-Jun-Sep-Dec | **$3,658.10** | +$459.17 ▲41.28% | 19.7% **20%** |

| Name | Value | Gain / Return | Actual / Target |
|---|---|---|---|
| QQQ Invesco QQQ Trust | **$645.14** | +$59.36 ▲28.06% | 17.4% **17%** |
| SPY SPDR S&P 500 ETF Trust | **$630.80** | +$55.64 ▲26.76% | 17% **17%** |
| VTI Vanguard Total Stock Market ETF | **$628.48** | +$56.30 ▲27.26% | 17% **17%** |
| DIA SPDR Dow Jones Industrial Aver... | **$626.72** | +$44.91 ▲21.35% | 16.9% **17%** |
| QQQJ Invesco NASDAQ Next Gen 100 ... | **$587.32** | +$45.45 ▲19.03% | 15.9% **16%** |
| IWM iShares Russell 2000 ETF | **$573.98** | +$41.95 ▲18.18% | 15.5% **16%** |

You can see that I have a different pie just for index funds as my growth element. Looking inside my index pie, you see my favorite index fund VTI, along with my other favorites, Dow Jones Industrial Index (DIA), S&P 500 (SPY), and Nasdaq (QQQ). Finally, let's look at my Cash App.



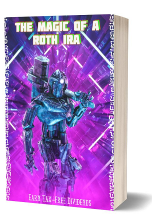

And there you see my baby at the very top. Again, VTI has served me well in all my accounts and allowed my dividends to flourish and still retain market gains. My final account, STASH, has the same story.

**Conclusion.** That about wraps it up. I wanted to give a quick insight into my favorite index fund and probably my top three securities in total. I would not start any account without VTI. It is simple, and it does the job well. When the stock market has a good day, you are guaranteed to have a good day if you have enough VTI. It’s even better when you receive a $33 dividend, as I did today. Enjoy and Happy Investing!


## 19 The Magic of a Roth IRA

I will be the first to admit that I was never a fan of Roth IRAs or traditional IRAs, for that matter. I never understood why you would spend all these years building something up, only to dismantle it during retirement. I do have a Roth IRA, but I have been investing into it sparingly.

But everything changed while I was reading the book "Smart Couples Finish Rich." With a couple of sentences, my whole investing outlook towards Roth IRAs changed. But before I get into that, let's do a quick review of what Roth IRAs are.




The Magic of a Roth IRA

A Roth IRA is an after-tax savings account. This statement means you will get paid from an earned income job, pay taxes, and fund your Roth IRA after that. There are some limitations on Roth IRAs that you will need to be aware of.

Is Saving Money Bad?

**Information on Roth IRAs**. First, there is an annual cap to how much you can invest per year—each year is different. For 2021, the cap is $6,000/ year if you are under 50 years old. $7,000 if you are older than 50 years old.

Second, you can only invest if you have earned income for the year. And you have to make more earned income than you invest. For example, if I work a job that pays me $3,000 for the year, I have a $3,000 limit for the Roth IRA. This is important for people like me who plan to retire on dividends.

Lastly, your money needs to stay in your account until age 59.5 before you begin withdrawing. The money you invested can be withdrawn at any time; however, your earnings face severe taxes and penalties if drawn before 59.5 and under five years of owning the account. So if I invested $1,000 and earned $500 over a timespan, the $1,000 is a free game. I need to wait until age 59.5 to withdraw the $500 in earnings and face a 10% penalty, plus capital gains taxes. Read more about Roth IRAs here. Please get to understand the rules before you jump in.

**Where does the magic come in?** "Josh, this sounds boring and not magical at all! I want to see the magic!" Okay, okay, here comes the magic. With traditional IRAs (pre-tax investment vehicles), there is something called required minimum distributions or RMDs.

RMDs basically tell you that you have to start withdrawing money at some point, roughly age 72. So after years of building up your pre-tax traditional IRA or 401K, you will have to sell off your investments and pay taxes on the whole piece of the pie. Each year in retirement, my RMDs would become larger and larger until I would be withdrawing vast sums of money until my death. Whatever is remaining is left to my children, who also have to continue to dismantle the account.

Dividends vs. Royalties Part I

This rule never made sense because I will have a sizeable military pension that my wife and I will use to fund our retirement. Why would I build up a $1 million account, only to watch it get withdrawn, taxed, and the balance forced to zero?

For the last couple of years, I believed that the Roth IRA also had RMDs. I was under the impression that you also had to dismantle your Roth IRA starting at roughly age 72. **However, Roth IRAs have no RMDs! I repeat, Roth IRAs have no RMDS!**

**How is this magical?** That means that you can build up a considerable post-tax Roth IRA and retrieve all of your dividends tax-free after age 59.5. Let's take a quick dive into my new Roth IRA strategy.

Cash Flow 102: Creating Passive Income for Retirement

**My new Roth IRA strategy.** My goal is to build an extensive portfolio of growth stocks in a Roth IRA by maxing out each year's contributions. I will mainly use the Total Stock Market ETF (VTI) for my growth vehicles, which is my favorite "growth" stock. Then I will add in some S&P 500 (SPY), Dow Jones Industrial Index (DIA), and Nasdaq (QQQ).

There is no reason to invest in dividend-paying stocks at this point. Remember, I will need to have earned income. I plan to never work for a full-time job after my military service, so what's my plan? I have a part-time job as a military science instructor. It is an online teaching gig. I can just keep this job for another 30 years, investing all my earnings into my Roth IRA.

So, running the numbers through my compound interest calculator, I will have roughly $700,000 by age 70 in my Roth IRA. This is if I start investing $6,000/year for this year and the next 30 years at an 8% return.

**The magic of dividends.** So I have $700,000 invested in VTI (Total Stock Market) at age 70. I can sell all of these off without any tax penalties at all. I now have $700,000 cash in my Roth IRA. I can then buy the highest-yielding investment products that I want. I can aim for a 10% return on my investments.

For example, I can put the entire $700,000 into a high-yield closed-end fund such as Pimco Dynamic Income Fund (PCI), which yields about 10%. This would net me $70,000/year or almost $6,000/month—all tax-free.

I won't need the money, so I can literally just give it to my kids. My sons will be 45 and 41 at this point, and they will be able to access this tax-free money through me. I can keep investing in my Roth IRA as long as I have earned income from a job or my business.

$30,000/month Cash Flow Retirement

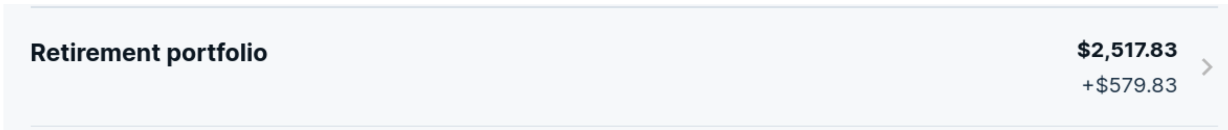
Upon my death, the Roth IRA can be left to my sons. They will have to dismantle the Roth IRA in ten years, but they still have all the money coming out tax-free. So they can live off the dividends for nine years and buy some property in year 10.

The most important part is teaching my sons how to leverage this tax-free money. Rolling everything into real estate may be able to keep everything tax-free for their lifetimes.

Happy Cash Flow Retirement

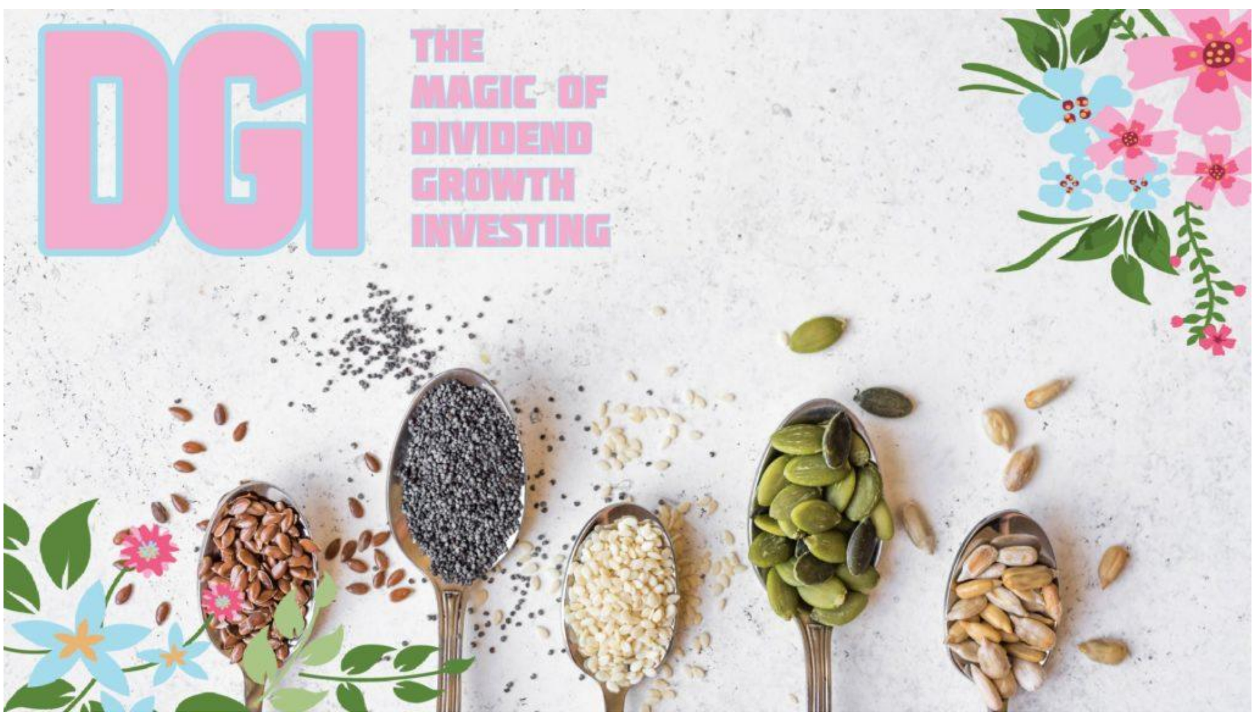
**The magical conclusion.** Using the Roth IRA is one of the only ways to get tax-free dividends! You all know I am about my dividends. I wouldn't need the dividends now; I would want to invest in safe stock market index funds to grow the portfolio "worry-free."

Once I get to a certain age, say 70, I would sell off all my safe index funds and invest in high yield dividends to get as much current income as possible. I can then use these dividends to support my family tax-free. How freakin' amazing is that.




Now, I need to decide how I want to fund my Roth IRA. It may be best to invest $500/month. I'll figure it out and write another article on my progress. Here is a picture of my little Roth IRA today. As I said, I never made it a priority. Now that I have an investment plan, I can start to fund it. I will also need to fund Kristina's as well, while she is in the workforce.

What do you think of Roth IRAs? Have you been diligently investing in them, not being stubborn like me? I look forward to growing our Roth accounts over the years. Luckily, VTI pays a tiny dividend; at least, it is something to look forward to every quarter. I love my dividends! Good Luck!




## 20 The Magic of Dividend Growth Investing

There is a certain magic in growing your own crops. You fertilize the soil, plant the seeds, and hopefully pick the fruits that the plants produce. But, gardening should only be for people with patience. There is no fast way to start a crop-producing garden.

[Free 45-Page PDF Download ($2.99 Value)]

Welcome to the world of **Dividend Growth Investing** or DGI. For those with the patience, you can earn capital appreciation and an exponentially compounding income from your stocks.

Dividend Growth Investing is more than investing for dividends or investing for income. DGI consists of using the power of blue-chip stocks, compounding, dividends, and time to build your wealth.

Build the Mindset of an Investor

The magic of DGI lies in its simplicity. You can pick 10-20 blue chip stocks (I have a list of my favorite 24 here) and simply put the dollar-cost-average method into full motion. With today's amazing investing apps, like STASH, it has never been easier to create a DGI portfolio.

DGI consists of four distinct methods to build your wealth; **capital appreciation, dividends, dividend growth, and dollar-cost-averaging**. Let's explore these further.

**Capital Appreciation.** Most people invest for capital gains. With DGI, you expect modest capital appreciation over time. McDonald's isn't going to double in price in one year. However, with the rising dividend, the value of McDonald's also rises.

Some of our DGI stocks will appreciate more than others. The magic in DGI is to pick older, slower-growth companies (like AT&T) that pay a higher dividend AND younger high growth, low-dividend companies (Like Ally Bank).

Eventually, you want your younger companies to become your senior ones, and then you can add fresh companies. It is an amazing game that keeps life exciting.

**Dividends.** Dividends are a portion of the company's profits. Some growth companies don't pay a dividend, instead opting to reinvest the money back into the business. We want our returns in hand—irrevocable returns.

Boring Investing is Good Investing

The magic of dividends is that they can help you live your best life. Investing in blue-chips stocks will grow your money while also paying you an income. Who can ask for more?

We need to diversify our DGI stocks by sector and dividend yield. We don't have too many high yielders (over 4%) or low yielders (under 1%). A good dividend yield average for a portfolio is roughly 2.5%.

I have a DGI portfolio and also an income portfolio. Knowing the difference between investing for income and DGI is vital to picking great stocks. For my income portfolio, I pick high-yield products like REITs, preferred shares, and Closed-End funds.

You do not want to use DGI with a higher yield, higher-risk stocks. The higher yield stocks in my DGI portfolio are AT&T (T) and Altria (MO). Then I have a couple of medium yielders like Prudential (PRU) and Phillip Morris (PM).

5 Benefits of Options Trading

The rest of my DGI stocks yield about 2.5%. These include T. Rowe (TROW), McDonald's (MCD), and Johnson & Johnson (JNJ).

I also have some low-yield stocks that I hope will increase dividends over the years. These include Microsoft (MFST), Apple (APPL), and Costco (COST).

With DGI, you are in complete control of your portfolio. It is hard to go wrong by picking dividend aristocrats and dividend champions. However, getting some of the younger companies will pay off in the long run. The power of compounding is just starting with the young ones.

**Dividend Growth.** Dividend growth is a crucial component of DGI. Dividend growth is when the company raises the dividend to adjust for inflation and return more value to the shareholders. As you buy more and more shares, they will eventually pay more per share.

Not only that, the shares themselves will rise in value as well. You can see the power of compounding as all these things compound. Let's look at a quick example of dividend growth.

Let's say you bought 50 shares of XYZ company, and each share pays a quarterly dividend of $1.00. The first quarter you would receive $50.

Now, the company raises the dividend 5% a year. So, in year two, the dividend would be $1.05, year three $1.1025, etc. Our $1 dividend would grow to a $4.32 dividend in 30 years using our compound interest calculator.

Become CEO of Yourself

In the 30th year, our 50 shares would pay us $216. More importantly, if we were reinvesting dividends, we would have far more than 50 shares. See the magic!

**Dollar-Cost Averaging.** The final pillar of DGI is dollar-cost averaging. DCA is consistently putting the same amount of cash into our stocks, either weekly or monthly. I use the STASH app to put $5/week into my DGI stocks. Yes, the numbers move slow, but I can see the power of DGI already, and it's only been two years.

DCA allows us to buy more stocks when the price is low and less when the price is high. Over time, we would be purchasing more when the price is low; therefore, we should come out ahead in the long run with DCA.

As much as we think we can time the market, DCA is the best method for the average person (us). With STASH, I slowly DCA into roughly twenty DGI stocks. When the company pays dividends, I reinvest them back into the company. I just repeat this until I die and leave it for my kids to continue.

Stocks vs. Cryptos

**What are the uses of a DGI portfolio?** Now we get into the fun stuff. After you build your unique DGI portfolio, what should you do next? Well, you enjoy the income.

In the end, you are building a DGI portfolio to grow your wealth and income. A DGI portfolio is similar to owning a rental property. You want the house value **AND** the rental income to appreciate.

There are many ways you can choose to serve your dividends. If we build a hefty $2 million dividend portfolio, we may receive $80,000/year from dividend income. We can choose to use some of that cash for expenses and some to reinvest.

You can also use some money to speculate into other growth stocks, cryptocurrencies, or invest in a business. You can even move overseas and live off your dividends. Once you have the income, you have the power of options.

Retirement Planning in Your 40s

**Getting started with DGI.** I am going to write an article describing how to get started with DGI. Meanwhile, you can read some of my articles on Stock Market Investing, Investing for Dividends, and How to Start Dividend Investing.

I am a DGI and Income investor. I have been attempting to separate the two because they are very different mentalities. DGI is more of a wealth generation tool. Income investing is more of a life/expenses tool. We will need both, one to pay expenses and one to grow wealth.

I hope you found this helpful. Don't worry if you do not fully understand everything; there is still much to learn. I have been at this for over two years, and I learn something new every day.

Keep reading my works and other books, of course. An excellent book to read is "How to Retire on Dividends."

That's all I have for today. Thanks for reading. Please grab some of my free PDFs on the way out. Also, follow me on Twitter for the latest Passive Income PDFs. I want to be the number one source of free content on the web! Enjoy and Happy Investing.


## 21 The Magic of Income Investing

This article will be difficult for me to write. Not because of the subject matter, but because of the multiple paths one can take when income investing. I'll try my best to contain my excitement and stay on the mission.


**Free 44-Page PDF Download ($2.99 Value)**

Welcome to the wonderful world of **Income Investing**. This world is vastly different from Dividend Growth Investing (DGI). I released my DGI book roughly a month ago, and people love the content. Grab a free copy of the book right here.

Let's start this adventure by comparing DGI and Income Investing. The mindsets for each will differ, and you must have the proper perspective to succeed at each.

**Life is Not a Game**

**DGI Mindset.** For DGI'ers, the mindset is to invest in the best companies in the world slowly. Over time, the number of shares, the share prices, and the payment of dividends will compound until you have an extensive, income-producing portfolio. The mindset is "slow growth."

**Income Investing Mindset.** Investing for Income is about trusting and buying companies over a lifetime. Income investors don't buy assets for capital appreciation—they buy stocks and funds for the income they generate.

Once you learn and trust your funds and stocks, you can buy when others are fearful. The best income investors purchase when these stocks are down in price, sometimes by 40-50%; if you want capital appreciation with high-yield products, it's best to buy at a discount.

Expectations are the main difference between DGI and Income Investing. For DGI'ers, they expect their shares in McDonald's (MCD) and Starbucks (SBUX) to rise, as well as the dividend slowly.

Income investors are satisfied with the price staying flat. If you have a closed-end fund whose price was $100 in 2010, it might still cost $100 in 2021. However, if it were producing a 10% dividend yield, you'd have all your money back in 7.2 years (using the rule of 72).

**Debt-Free? So, What's Next?**

Although the share price stayed at $100, how many times did it dip to $80-85? And when it did, did the income investor double down and purchase a truckload more?

That's what is so exciting about income investing, finding great sales. Today, we are in a yieldless world. This means that the federal reserve is keeping the federal funds rate at 0%. The ten-year treasury bill is hovering around 1.5%.

Investors want yield today, so they are flocking to high-yield income products. Prices are costly in the high-yield product category.

I went shopping for preferred shares after I read the book "The Billionaire's Secret." There were so many preferreds yielding 18% because of the short recession we had in 2020. I was able to buy GLOP.C for $13 with a coupon of $25. The yield on the coupon is 8.5%.

Preferred Stock

| Symbol/Description | Trade Date | Shares @ Cost | Last Price/ Change | Market Value/ Today's Change | Unreal. Gain/Loss | Estimated Annual Income |
|---|---|---|---|---|---|---|
| GLOP.C GASLOG PRTNRS LP 8.5%PFD | Multiple(4) | 22.000 @ $16.03 | $24.90 +$0.03 | $547.78 +$0.75 (+0.14%) | +$195.17 +55.35% | $46.75 |

So, at full price ($25), GLOP.C will yield 8.5%. When I bought at $13, my yield was almost 17%. Now that high yield is in favor again, my shares have rebounded to $25. I have capital appreciation and an excellent dividend yield. That's the magic of income investing.

**Selling Covered Calls for Passive Income**

**Building an income portfolio.** Now that we have explored the mindset of an income investor, let's start to develop our portfolio. As I said in "How to Start Dividend Investing 101: Find You Why," you will need to understand the purpose of becoming an income investor.

The average person will focus most of their money on index and mutual funds. A small percentage of investors will go the DGI route. Income investors are even rarer than those two.

I had never heard of terms like high-yield, closed-end funds, or preferred shares before I began to read about them. Now, I can't live without my high-yield products—I love them that much.

My reason for investing for income is a stable and consistent income. I look at income investing as building your retirement pension. When you invest for income, you set a target amount of revenue for your portfolio to reach. DGI'ers set a target value that they want their portfolio to reach.

In the article "Living Overseas Passively 104: Dividend Income," I wrote that I want to pay all my expenses with my income portfolio when I go overseas. I want to use my "income pension" to pay expenses, and any other income from DGI stocks will be for luxuries.

**Can You Live the Laptop Life?**

Once you figure out why you want to go the income investing route, you need an income target. Always start with a small goal. If you are new to the world of income, set a reasonable goal that you can achieve in 6-12 months.

Let's say that your electricity bill is $300/month, and you want to pay that with your income portfolio. I would first start with your phone bill that is $80/month. You want to keep yourself going for the long term. Making crazy-hard goals will deter you from your purpose.

Now that you have your goal of $80, it's time to build. Let's look at the building blocks of an income portfolio.

**Closed-End Funds**. I always start with CEFs because the income reliability is second to none. You'll want to understand if your CEF historically trades at a premium to NAV or not. Once you look at its history, you can make great buying decisions. CEFs are my favorite high-yield product.

**21 Passive Income Ideas**

**Mortgage REITs**. I love mortgage REITs because they are the wild west cowboys of high-yield. Mortgage REITs invest in paper mortgages, not equity in homes (physical properties). They tie their profits to the difference between the price at which they borrow and lend. This makes them highly volatile. However, if you trust the company long-term, you can find great deals on mREITs. Learn your mREITs before you invest.

**Preferred Shares**. Preferred shares are outstanding because you know exactly what you are getting upon your purchase. If the coupon price is $25, with a yield of 7%, then you can base your buying decision on these numbers. If you see that product selling for $20, you can calculate the current yield and achieve high yield levels. Always keep a shopping list of preferreds to buy during a downturn.

**Dividend ETFs**. Dividend ETFs combine DGI and Income Investing because they can appreciate over time. I like to invest a good amount of income into dividend ETFs upfront (say $1500), turn on dividend reinvestment, and just let it grow (similar to DGI).

| | | | | | | |
|---|---|---|---|---|---|---|
| SDIV<br>GLOBAL X<br>SUPERDIVID ETF | Multiple(26) | 145.356<br>@ $11.54 | $13.28<br>-$0.02 | $1,930.33<br>-$2.91 (-0.15%) | +$252.23<br>+15.03% | $145.65 |

I have been using this technique for SDIV for over a year. Each month, the dividend is roughly $13. The fund continually buys shares of itself over time. When the market crashes, I can be assured that the fund will purchase many new shares at a discounted rate without my involvement.

**How Would You Invest $300,000?**

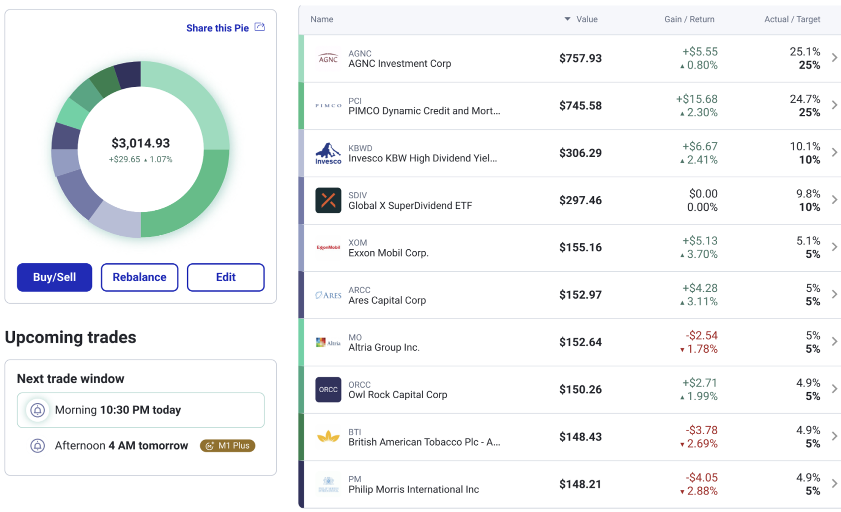
**Business Development Companies**. BDCs invest in small to medium-sized businesses. Like mREITs, they make their money on the spread between borrowing and lending. They can also acquire equity in these businesses as well. It is possible to achieve capital appreciation with BDCs over time, but I wouldn't count on it for your investment thesis.

**High-Yield Blue-Chip Stocks**. Some blue-chips stocks pay an egregious amount of dividends. The chances are that their growth days are behind them, but you can buy them for the yield. I love following these stocks, and you have a slight chance of capital appreciation. Some of these blue chips are Altria (MO), Exxon-Mobil (XOM), AT&T (T), and British American Tobacco (BTI).

**Income Investing is hardcore**. One of the pitfalls of income investing is that it isn't mainstream. You won't find most of these products on investment platforms like STASH and Cash App. You'll need to upgrade to a more complex platform like Wells Fargo or Charles Schwab.

## The Value in Commodities

I use Wells Fargo for one of my income portfolios because their income calendar is second-to-none. However, I just started an M1 Finance pie that is specifically for my income portfolio.




I like M1 Finance because I can just put in several dollars to find the best deals and purchase them. This way, during a market downturn, I can just throw my money into the pie without picking individual stocks and funds.

If one stock or fund is having a bad day, I can purchase it at Wells Fargo. Income investing is all about having options. And options are why we want to generate income at all times.

**My use-case**. Finally, I will talk about my use case for my M1 Finance income account. You can set M1 Finance to auto-invest your dividends once your balance reaches a certain amount. I want to put this amount to $1,000.

## Annuities vs. Dividends

Once my portfolio balance reaches $1,000, M1 Finance will reinvest all dividends. I can then transfer my $1,000 to my M1 Finance card and pay all my expenses for the month. Each month will be the same, and M1 Finance will continue to put my money to work.

I want to have an M1 Finance pie for myself and one for my wife. Yes, each of these portfolios will need to reach $150,000, but that is possible over time. Income portfolios tend to grow fast, especially if you double down during a downturn.

**Conclusion**. Wow, what an exciting topic. I love income investing—even more than DGI. Income investing is a more hands-on approach, and you see near-instant results. I love having an immediate income. Money today is worth more than money tomorrow.

The goal of life is to have excess income versus expenses. If you can achieve this consistently, you will become rich. Income investing is a way to build your income in real-time.

## **Diversify Your Passive Income**

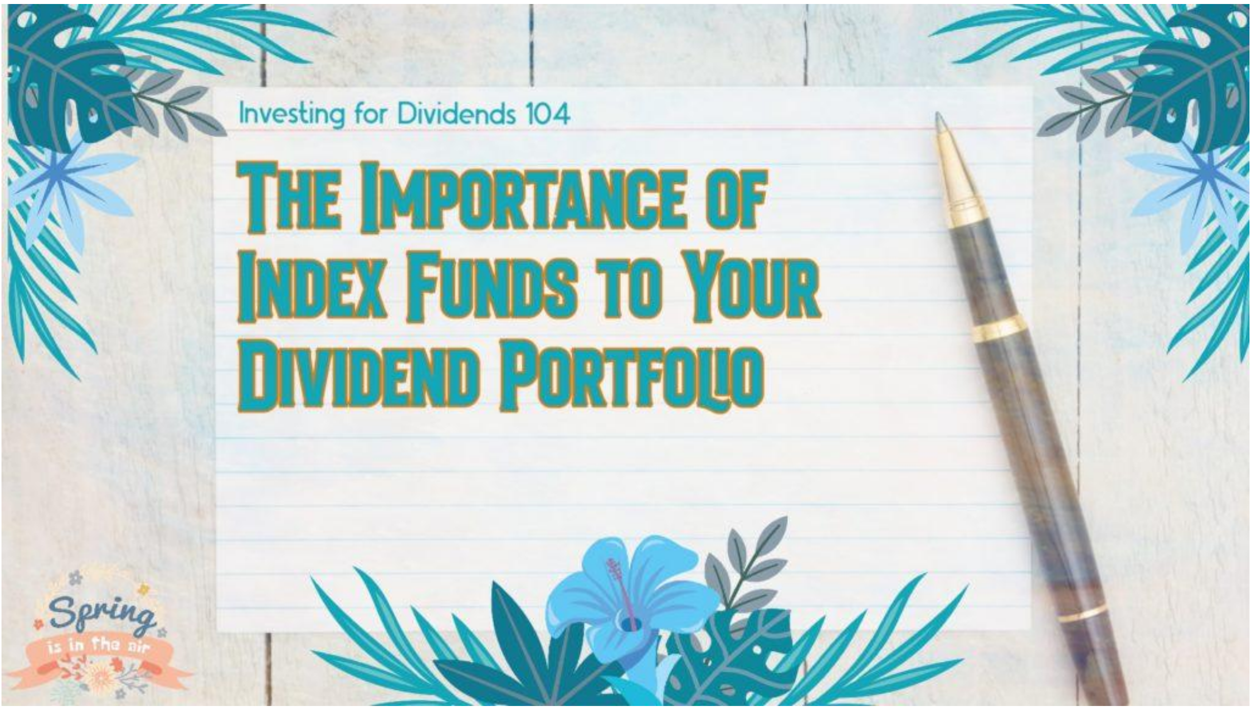
My wife and I achieved $650/month in passive income, with $550 of that coming from dividends. This is a tremendous amount of money, and we did this in two years. How much do you think we will have in 10 years, 20 years?

Having just $100/month of income is a fantastic feat. That is enough to buy coffee every workday of the week. That alone should be a motivating factor. Understand that you will need to build a long-term mindset.

Income investing is a lonely road. Not many people on "main street" can comprehend the technique, let alone have the discipline to build an income portfolio. While everyone is bragging about their capital gains with Tesla, you will be getting paid cold-hard cash.

Welcome to the world of income investing. Look for more comparisons between DGI and Income Investing in the future. I love them both, but my personality type just loves the hands-on nature of income investing best. Follow me on Twitter for more about dividends. Enjoy and Happy Investing.

# INVESTING FOR DIVIDENDS




## 22 Investing for Dividends 104: The Importance of Index Funds

When I first began to read about passive income in June 2019, I was intrigued by the Dividend Growth Investing (DGI) community. They seemed to be hardcore dividend folks who had a good pulse on how to create passive income.

I wrote an article on dividend growth investing called "Stock Market Investing 102: Dividend Growth Investing." By the way, you can read the other pieces in the Investing for Dividends series here (101, 102, 103).

Some of the main principles of dividend growth investing are investing in strong, blue-chip companies with solid histories of paying dividends. Some examples are McDonald's (MCD), Johnson & Johnson (JNJ), and Proctor & Gamble (PG).

I love investing in these strong companies; however, they don't pay massive amounts of dividends. In fact, the average dividend yield of these three companies is 2.5%. Which is not bad at all, but I wanted more yield.

I was still a young investor, and I was searching for more yield. I started buying REITs (read REITs part 1, 2, 3, 4). I even bought some high-yield ETFs. I was very excited with my yield results until March 2020 rolled around.

In March 2020, my portfolio completely tanked. It seemed that most people had a terrible March; however, everyone's portfolio started to recover. Mine remained in the red or negative. Almost six months later, I started researching the ETFs I was holding.

As it turns out, my ETFs tracked the banking sector. As I learned later, the banking sector struggles in low-interest-rate environments. Most of my portfolio was tied to banks, and they were not recovering well.

At this point, I sold most of these bank sectors and moved that money into Vanguard Total Market ETF (VTI). VTI allowed my entire portfolio to ride the wave of recovery and perform very well against all odds. At that moment, I loved adding index funds to all my dividend portfolios.

You see, for me, at least, I am looking at the overall health of my dividend portfolios. As long as my portfolio is growing and paying me good dividends, I am a happy camper. Index funds ensure that my total portfolio is continually growing along with the stock market.

On top of this growth, I am getting all the benefits of compounding, dividend raises, and dividend growth. Compounding is the 8th wonder of the world; I am pleased to be still able to invest in companies like McDonald's and Johnson & Johnson.

Here is a look at one of my DGI portfolios, Charles Schwab, which most closely resembles a proper DGI portfolio. I have bought primarily blue-chip stocks. Let's take a look.

| Total Accounts Value | Total Cash & Cash Invest. | Total Market Value | Total Day Change[1] | Total Cost Basis | Total Gain/Loss[3] |
|---|---|---|---|---|---|
| $12,032.91 | $5.52 | $12,027.39 | +$39.36 (+0.33%) | $11,200.02 | +$827.37 (+7.39%) |

View Realized Gain/Loss

| Name | Account | Account Value | Cash & Cash Invest. | Market Value | Day Change[1] | Cost Basis | Gain/Loss[3] |
|---|---|---|---|---|---|---|---|
| Individual | 9515-4550 | $12,032.91 | $5.52 | $12,027.39 | +$39.36 (0.33%) | $11,200.02 | +$827.37 (+7.39%) |

**Group By:** Security Type **Settings** **Condensed View:** ON

**Individual 9515-4550**

| Symbol | Name | Quantity | Price | Price Change $ \| % | Market Value | Day Change[2] $ \| % | Cost Basis | Gain/Loss[3] $ \| % | Reinvest? | Cost/Share | Dividend Yield | Last Dividend | % of Account[4] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Equities** | | | | | | | | | | | | | |
| T | A T & T INC | 25.5478 | $32.16[5] | -$0.25 | $821.62[5] | -$6.39 | $760.34 | +8.06% | Yes | $29.76 | 6.5% | $0.52 | 6.83% |
| MO | ALTRIA GROUP INC | 13.191 | $49.95[5] | +$0.46 | $658.89[5] | +$6.07 | $639.59 | +3.02% | Yes | $48.49 | 7.1% | $0.86 | 5.48% |
| AAPL | APPLE INC | 4.5481 | $130.21[5] | +$0.47 | $592.21[5] | +$2.14 | $583.77 | +1.45% | Yes | $128.35 | 0.7% | $0.22 | 4.92% |
| COST | COSTCO WHOLESALE CO | 2.3737 | $384.32[5] | +$1.56 | $912.26[5] | +$3.70 | $853.73 | +6.86% | Yes | $359.66 | 0.8% | $0.79 | 7.58% |
| JNJ | JOHNSON & JOHNSON | 4.468 | $168.50[5] | +$0.76 | $752.86[5] | +$3.40 | $705.81 | +6.67% | Yes | $157.97 | 2.5% | $1.06 | 6.26% |
| MCD | MCDONALDS CORP | 3.1608 | $234.84[5] | -$0.02 | $742.28[5] | -$0.06 | $702.63 | +5.64% | Yes | $222.29 | 2.2% | $1.29 | 6.17% |
| PM | PHILIP MORRIS INTL | 7.2693 | $97.41[5] | +$0.59 | $708.10[5] | +$4.29 | $638.20 | +10.95% | Yes | $87.79 | 5% | $1.20 | 5.88% |
| PSA | PUBLIC STORAGE REIT | 2.407 | $277.27[5] | +$2.06 | $667.39[5] | +$4.96 | $606.09 | +10.11% | Yes | $251.80 | 2.9% | $2.00 | 5.55% |
| O | REALTY INCM CORP REIT | 9.8179 | $68.10[5] | +$0.55 | $668.60[5] | +$5.40 | $632.14 | +5.77% | Yes | $64.39 | 4.2% | $0.235 | 5.56% |
| UBER | UBER TECHNOLOGIES INC | 4 | $47.03[5] | +$0.38 | $188.12[5] | +$1.52 | $116.86 | +60.98% | Yes | $29.21 | N/A | N/A | 1.56% |
| VZ | VERIZON COMMUNICATN | 13.7235 | $58.72[5] | -$0.57 | $805.84[5] | -$7.82 | $784.77 | +2.68% | Yes | $57.18 | 4.3% | $0.6275 | 6.7% |
| VYGVF | VOYAGER DIGITAL LTD F | 19 | $21.0256[5] | -$0.22489 | $399.49[5] | -$4.27 | $375.39 | +6.42% | No | $19.76 | N/A | N/A | 3.32% |
| WEN | WENDYS CO | 2.0237 | $22.80[5] | +$0.00 | $46.14[5] | +$0.00 | $31.02 | +48.74% | Yes | $15.33 | 1.6% | $0.09 | 0.38% |
| **Equities Total** | | | | | **$7,963.80** | **+$12.94** | **$7,430.34** | **+7.18%** | | | | | **66.18%** |
| **ETFs & Closed End Funds** | | | | | | | | | | | | | |
| SDIV | GLOBAL X SUPERDIVIDEND ... | 94.7912 | $14.32[5] | +$0.09 | $1,357.41[5] | +$8.53 | $1,288.71 | +5.33% | Yes | $13.60 | 6.7% | $0.088 | 11.28% |
| SCHD | SCHWAB US DIVIDEND... | 15.0525 | $77.41[5] | +$0.33 | $1,165.21[5] | +$4.97 | $1,080.73 | +7.82% | Yes | $71.80 | 2.7% | $0.5026 | 9.68% |
| VTI | VANGUARD TOTAL STOCK... | 7.0337 | $218.75[5] | +$1.84 | $1,538.62[5] | +$12.94 | $1,397.89 | +10.07% | Yes | $198.74 | 1.3% | $0.6716 | 12.79% |
| **ETFs & Closed End Funds Total** | | | | | **$4,061.24** | **+$26.44** | **$3,767.33** | **+7.8%** | | | | | **33.75%** |

We see from the top blue-chip stocks primarily that the overall portfolio is doing well. It has an overall growth of +7.39%. I always shot for at least 4% growth (or capital appreciation) and 4% dividend yield. My thinking is that as long as my portfolio can appreciate, or grow, at 4% annually, it can beat inflation. Then I can remove all my dividends, free and clear.

The top section of the portfolio houses my blue-chip stocks from all sectors. **AT&T** (T, telecommunications), **Altria** (MO, tobacco), **Apple** (APPL, computers and software), **Costco** (COST, retail services), **Johnson and Johnson** (JNJ, pharmaceuticals), **McDonald's** (MCD, restaurants), **Phillip Morris** (PM, tobacco), **Public Storage** (PSA, self-storage REIT), **Realty Income** (O, REIT), and **Verizon** (VZ, telecommunications).

These are notable companies, and I am proud to own all of them. But, I can juice more yield from the portfolio in the bottom section. I added two of my favorite high-yield ETFs and, of course, VTI. **Global X Superdividend ETF** (SDIV) is an international high yield fund. When the market crashes, this baby will fall hard as well. However, I find using those times as a tremendous buying opportunity. I was able to buy into this ETF at a 12% dividend yield in my other portfolio. **Schwab is a dividend growth ETF** (SCHD), so it is basically like your own blue-chip DGI fund. It is nice because you do not have to pick individual stocks.

And finally, you have VTI. I consider **VTI** my core holding in all my dividend portfolios. It is challenging to go wrong with this index fund. Some other index funds I own are **Dow Jones Industrial Index** (DIA), **the NASDAQ** (QQQ), and the **S&P 500** (SPY). They all have their different sectors in which they specialize.

The overall moral of the story is that I look at each of my dividend portfolios as one total package. If the package is doing well, I rarely have to dig into the individual stocks to see what is going wrong. When the stock market has a good day, my portfolio has a good day.

Think of it this way. If you go on a diet and you are losing weight, you continue to follow the diet. However, if you have a diet and are not losing weight, you have to evaluate everything you are eating to see where the problem lies.

Using index funds, I rarely have to evaluate my individual stocks. I keep abreast of their news from time to time, but overall, I just keep adding to my dividend stocks in my portfolio. Then, once I see my VTI is becoming a small percentage of my portfolio, I buy more VTI (or other index funds).

Buying index funds has made my dividend investing carefree and convenient. I remember before I used index funds, and life wasn't so rosy. I had to constantly go into my stocks to see who my laggards were. I did not enjoy that. I like seeing a positive overall portfolio and significant dividends hitting my account. Index funds allow me to do this.

How about you? Do you add index funds to your dividend portfolios? Or do you consider it blasphemy? I hope I provided some value to your thought process of dividend investing. I have never read an article about combining DGI with Index funds, so hopefully, it is enlightening. Good Luck!


## 23 Investing for Dividends 105: How Do You Want Your Dividends Served?

Having options can make you feel more powerful than you truly are; however, sometimes, options can prove to be just what the doctor ordered. I have five entirely different dividend accounts, and each one serves me my dividends in another way.


**Investing for Dividends**

Welcome back to the Investing for Dividends Series. You can find the other articles here (101, 102, 103, 104). Now, let's jump into how to spend your dividends!

Today, I want to go over all the different ways I can choose to take my dividends. First, I want to review why I decided to take 20% of my dividends in cold hard cash, vice reinvesting them.

I love receiving dividends, and the intelligent thing to do is to reinvest them. The overall goal of dividend investing is to one day live on them instead of working a day job. For me, that day will never come. I have a full military pension coming my way.

So I decided to have some fun today, instead of waiting for a day that will never come. I choose to spend some of my dividends, just for fun. For the most part, I take the dividends from my Cash App in cold hard cash. But there are some others that I like to accept cash as well.

My wife and I are also investing $5,000-$7,000/month into our portfolio—spending $100-200 of the dividends isn't that big of a deal. Plus, it's fun to spend dividends. We worked very hard to build our portfolio, and spending some keeps us motivated to keep growing our accounts.

I have a total of five brokerage accounts that serve me dividends, and my wife has four accounts. My accounts are Cash App, M1 Finance, Charles Schwab, Well Fargo, and Stash. They all give me various options to invest and receive dividends.

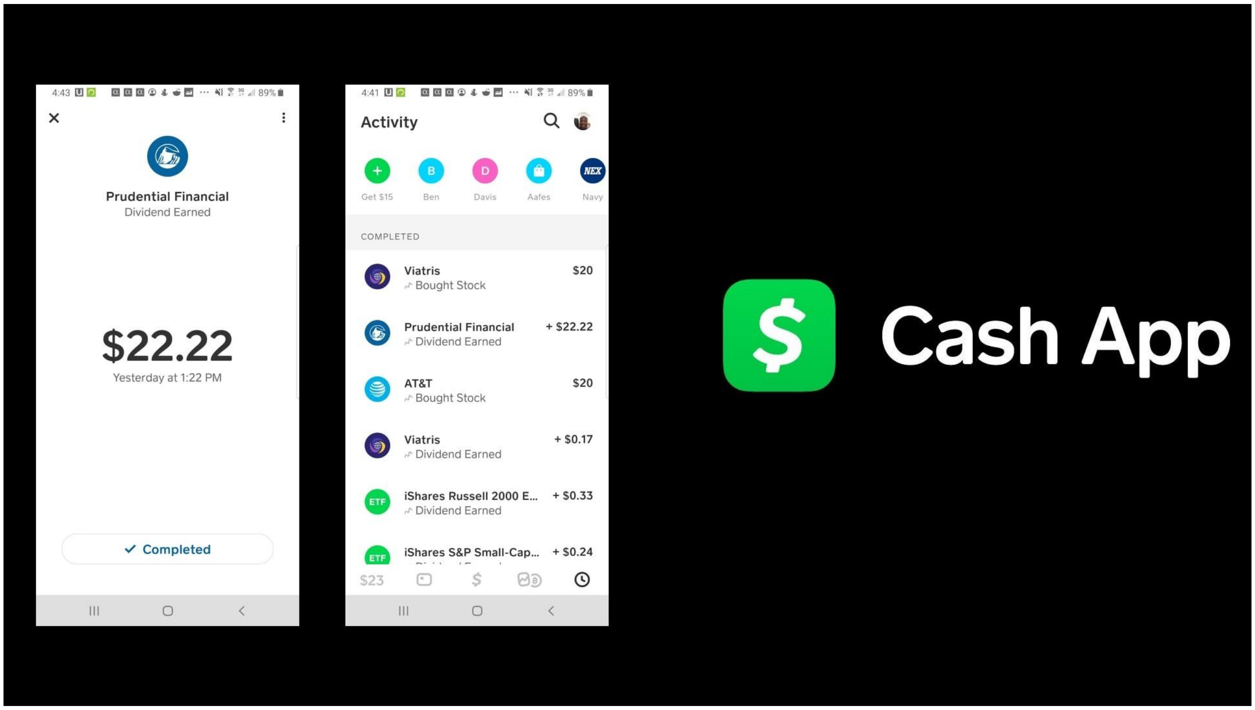
I will describe the various ways I receive dividends today. In the future, I will do a review of each of my brokerage accounts and compare them to one another. Today has been a long time coming. It has taken me almost eight months to create this article. I will explain why when I talk about M1 Finance, which will be last. With no further ado, let's hop into the different ways I have dividends served.

**Cash App.** The Cash App is like a super checking account. Not only does it have a debit card, but you can exchange money with other Cash app users rather quickly. The primary way to fund your Cash app account is by transferring money via another checking account.

That is until now. We can use dividends to fund our Cash app account directly, and boy is it glorious. The way it works is that companies decide what day they are going to pay you. Since the dividends are going to a checking account and not a brokerage account, there may be a slight delay.

However, you will get an email and notification that you have received dividends, and your money will be available to spend on your checking balance. How cool is that? Of the five accounts, this is the fastest way to get your dividends into a spendable format.

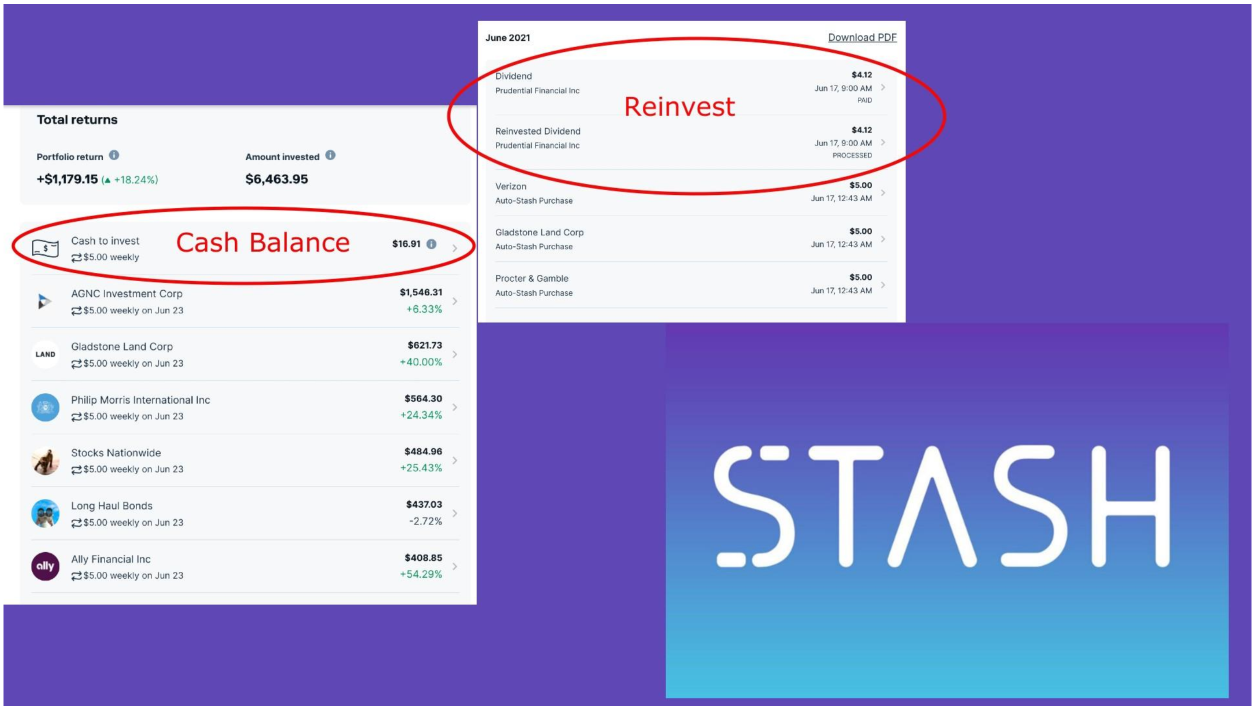
I hope to one day get my Cash app to $500-$1,000/month in dividend payouts. I am currently sitting around $80. How cool would it be to receive $1,000/month in dividends into your checking account? Let's take a look at how the process looks.




**Stash.** If the Cash app is the best at giving you dividends, then Stash is the worst. You have two options for your brokerage account, reinvest dividends on or off. That's it. I value the simplicity; however, I would appreciate a few more options.

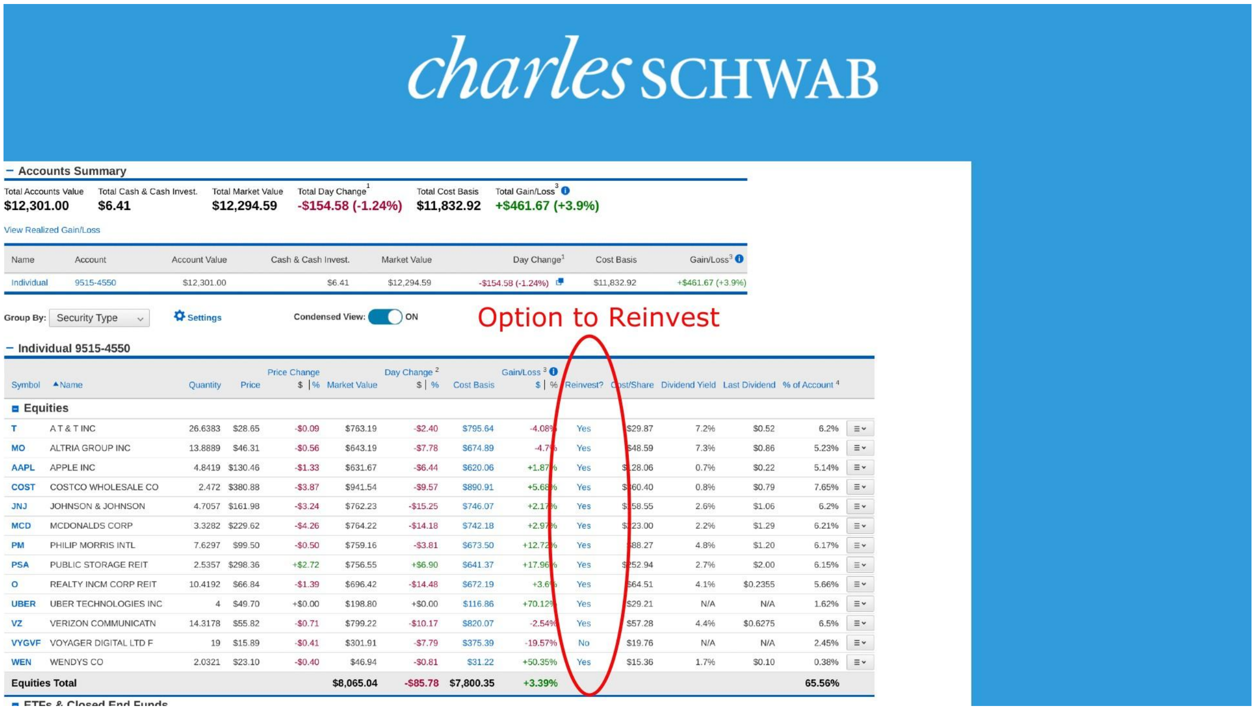
If you decide to turn off dividend reinvestment, the money will accumulate inside your brokerage account but not your Stash checking account. They call this your cash balance. This is cool because you can get that money back into the stock market as you choose without performing a transfer from my checking account.

Let's say I was receiving $200/month from Stash dividends. I could reinvest $100 into stocks and take $100 into my Stash checking account or any other account. In the long term, that is likely how I would take them. For now, I have dividend reinvesting turned on, so no fun for me. Let's take a look.




**Charles Schwab.** Charles Schwab has one significant advantage over the others, and that is options. With this account, you can choose on a per-company basis which ones you want to reinvest or take cash.

Even better, it is straightforward to switch between taking cash or reinvesting. Say, I wanted to take the whole McDonald's dividend for this month. I could easily switch off dividend reinvestment, take the dividend, and switch reinvesting back on. This is a handy tool for when life happens and you need some cash. Let's take a look.




**Wells Fargo.** I love Wells Fargo because it is an adult account. There is absolutely no hand-holding in Wells Fargo. It was my first brokerage account, and it took me a while just to be able to buy stocks.

When it comes to dividends, they use a money market account style of account. This is where you transfer money into your brokerage account, and it sits in a money market account until you pick an investment to place.

Your dividends also go directly into the money market account. It is fantastic to see your cash balance and take money out; you have to transfer it to your checking account. Not a huge deal, just an extra step.

It is complicated to turn on dividend reinvestment at Wells Fargo. You have to call every time you want to toggle reinvesting. You can go stock by stock or your whole portfolio. Either way, it is a pain in the butt, and I don't like it. I currently have reinvesting turned on for half my investments.

Wells Fargo is my high-income account, and I like getting cash from my closed-end funds monthly. If I wanted, I could set up a monthly recurring transfer from my brokerage to my checking to capture my dividends. That would save me some headache. Let's take a look.

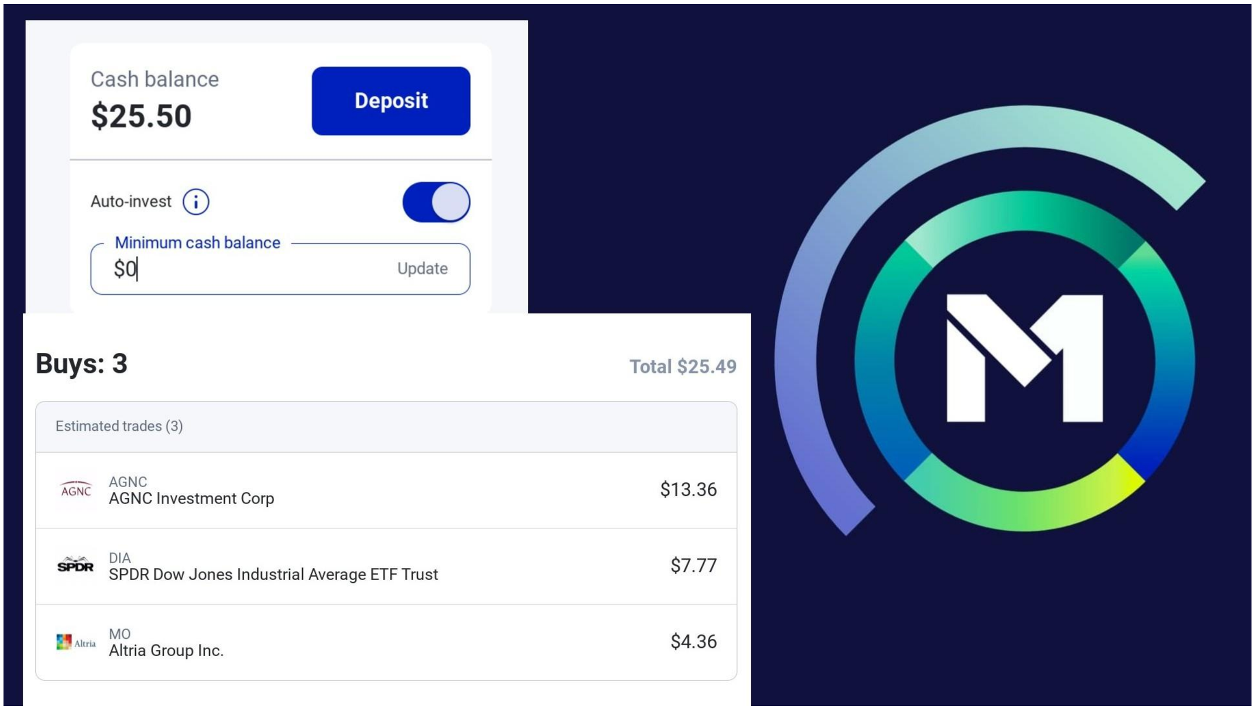

**M1 Finance.** Now for the coolest of the bunch. M1 Finance has a cash balance model, like Wells Fargo and Stash. This balance is separate from my M1 Finance Checkings account. As the balance fills up, I can transfer money into a checking account.

It is important to note that M1 Finance does not reinvest back into stocks on an individual stock basis. All dividends accumulate into the cash balance. This is what separates M1 Finance from the other brokerage accounts and why it took me eight months to write this article.

Once you reach a certain amount in your cash balance, M1 Finance will reinvest your cash into the portfolio. You can set the amount, but the default amount is $25. Therefore, I waited to receive $25 in dividends in one month before writing this article. I wanted to see this in action.

Furthermore, M1 Finance doesn't just spread the $25 across the entire portfolio; it systematically picks the undervalued stocks, so you are getting the best bang for your buck. So, even if I didn't keep adding $600/month into my portfolio, it would still accumulate some good stocks.

This is a truly revolutionary way to reinvest dividends and will make you very rich. But let's take a look, and then I will give my conclusion across all the accounts.




**Wrapping it up.** So which one is my favorite? I hate to be wishy-washy, but why choose when I can have all five? As far as options, Stash has the least amount of them. However, when it comes to investing, Stash has some of the best options available.

M1 Finance is the most futuristic of the bunch. It will allow your dividend reinvestments to go the furthest and be used the most efficiently. Cash App is just incredibly cool. To be out and about and get a text saying you received money is beyond amazing. It is life-changing.

Wells Fargo and Charles Schwab are old money, but sometimes, you need these types of accounts. The other accounts do not have all the options that these have for finding the best possible securities.

Overall, I love them all. Each brokerage account has its own personality and functionality. It makes it fun to build these up and watch them grow, sort of like Pokemon. There are tons of different brokerages, so don't feel limited by my selections. These are just the ones I use daily.

My best advice is to have one you know and love, then go out and play with some others. You may find some features that you love. Good Luck!


## 24 Investing for Dividends 106: The Pros and Cons of Dividend ETFs

Whew, today's topic is going to be controversial, at least in the dividend growth communities. I'm all about stirring the pot if it makes us all a little bit more informed. I will discuss dividend ETFs and if they will be suitable for your portfolio.

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I always seem to be rude, so let me get this out of the way. Welcome back to the Investing for Dividends series (101, 102, 103, 104, 105), one of my longest-running series. Here, we talk about ways to maximize our dividend portfolios with long-term investing strategies. Now, let's get into dividend ETFs.

**What are ETFs?** Electronic Traded Funds (ETFs) are a collection (or bundle) of stocks that companies group together to trade on a stock exchange. The entire collection trades as one security, just like one company, say McDonald's, trades on the stock exchange.

Investing Insider vs. Outsider

**The benefits of ETFs.** There are two main benefits of ETFs; simplicity and diversity. By purchasing one ETF, you can diversify into potentially hundreds of companies. This technique makes it simple to invest because you do not have to research each underlying company individually.

Index funds are ETFs—they track an index such as the Dow Jones Industrial Average or the S&P 500. Other companies create their own index based on specific requirements and then have their ETF track the index they created. This allows ETFs to function without active management—making their fees extremely low.

However, creating an index to track passively has its issues. I will get more into the problems later, but let me give you an example for now. Say I create the hamburger index that includes all the companies that sell hamburgers. I can now make the Hamburger ETF that passively tracks my index.

My robots would make trades based on the index. It could be an awesome ETF when I have McDonald's and Wendy's as my star companies. But what if Josh's Burgers became a listed company on the stock exchange. My ETF, by definition, would have to trade Josh's Burgers' stock—this is where issues will come in later.

Stocks vs. Cryptos

**What are Dividend ETFs?** Dividend ETFs are ETFs that want to capture the magic of dividend investing, lowering the barrier of entry. They also give the holders much more diversity, which is great during rough patches like the 2020 pandemic.

A quick refresher on dividend growth investing. DGI is a subset of income investing. The goal of dividend growth investing is to find companies with growing profits, growing stock prices, and that increase their dividend payment year over year.

You may even say that income is a secondary metric of the DGI community. DGI folks are more concerned with the total return—a combination of capital appreciation and reinvesting dividends.

McDonald's is an excellent DGI stock as they have increased their dividend for 40 straight years. Here are a couple of great articles on McDonald's growth over the years (CNBC and The Motley Fool). DGI investing is straightforward because of the power of compounding.

So the question becomes, will you capture the power of DGI through investing in dividend ETFs? And, of course, the answer is yes and no. The answer lies in the example I gave above; you will get the good stocks and the bad with a random index.

How We Plan to Retire on Dividends

Part of a good DGI strategy is knowing when your favorite stocks are selling at a discount and doubling down on them. For example, during the OPEC nightmare in April 2020, one of my favorite oil DGI stocks, Exxon Mobil (XOM), was down to $37 from a high of $90 a few years earlier.

If you had added a little more cash to your XOM position, you would have reaped the benefits of capital appreciation and an increase in income. Following your stocks closely is a principle of the DGI community.

If you had invested in dividend ETFs, you could have bought at reasonable prices in March 2020, but the returns wouldn't have been the same. To summarize, due to how dividend ETFs pick their indexes, they will have to allocate funds to crappy stocks.

For me, I invest in Closed-End funds when investing for income. I have a DGI portfolio (Charles Schwab), and I also have a portfolio of dividend ETFs (Wells Fargo). When it comes to pure income investing, I find that closed-end funds suit my taste the best.

**Who benefits the most from DGI?** I would say investors in their 30s, 40s, and 50s will benefit the most from DGI. These cohorts have the most time to let the power of compounding work its magic.

The Velocity of Money and How it can Make You Rich

**Who benefits the most from Dividend ETFs?** I would say that investors in their 50s and 60s would benefit the most from dividend ETFs. They may not have the time to track 10-20 companies. ETFs will give them some income and some growth, which is all we can really ask for nowadays.

**Who benefits the most from Closed-End Funds?** Anyone looking to replace their earned income with dividend income should have a small or medium-sized allotment of closed-end funds. CEFs are actively managed, meaning they do not have to keep loser stocks around. Their only purpose is to get you income, sometimes at 9-10%. CEFs, however, have little to no growth prospects.

**Why I invest in Dividend ETFs.** I still love dividend ETFs. As I said, they do give you some solid income (3-4%) and some growth (appx 3-4% capital appreciation). I have never been disappointed by my dividend ETFs because I know what to expect. Some dividend ETFs even have dividend growth streaks.

Dividends vs. Royalties part I

One of the fantastic things about DGI is watching your stocks give you a pay raise. It is truly a great feeling to watch as your companies increase their dividend for the upcoming years.

Yesterday, one of my favorite DGI stocks, Altria (MO), increased its dividend. I love this aspect of DGI, and I miss that feeling with my dividend ETFs.

Dividend News

**Altria lifts dividend 5% to $0.90; yield rises to 7.4%**

Aug. 26, 2021 3:47 PM ET | **Altria Group, Inc. (MO)** | By: Kaushik Sampat, SA News Editor |
129 Comments

- Altria (NYSE:MO) declares $0.90/share quarterly dividend, 4.7% increase from prior dividend of $0.86.
- Forward yield 7.39%
- Payable Oct. 12; for shareholders of record Sept. 15; ex-div Sept. 14.
- See MO Dividend Scorecard, Yield Chart, & Dividend Growth.
- **Read Next:** A Fresh Look At Altria

**My favorite Dividend ETFs.** My two favorite dividend ETFs are Wisdom High Dividend ETF Fund (DHS) and Invesco S&P 500 Dividend ETF (SPHD). As you can see below, they both have some excellent appreciation and yield roughly 4%. They also both pay monthly, which is terrific as well. On the far right, you can see their annual dividend payout.

| | | | | | | |
|---|---|---|---|---|---|---|
| DHS<br>WISDOMTREE HIGH DIV ETF | Multiple(18) | 19.433<br>@ $71.10 | $80.61<br>+$0.54 | $1,566.49<br>+$10.59 (+0.68%) | +$184.90<br>+13.38% | $57.29 |
| SPHD<br>INVESCO S&P 500 HIGH ETF | Multiple(17) | 5.221<br>@ $34.05 | $44.15<br>+$0.38 | $230.51<br>+$1.98 (+0.87%) | +$52.73<br>+29.66% | $8.57 |

**Are Dividend ETFs a good fit for your portfolio?** I think everyone has room for a monthly dividend payer or two. If you are not a DGI purist, which only believes in blue-chip stocks, then dividend ETFs can be a fantastic fit; I have no complaints.

Is Saving Money Bad?

However, I caution against filling up your portfolio with only dividend ETFs. Learning about your companies is vital to the long-term sustainability of your dividend portfolio. There is room for all flavors of dividends, such as preferred shares, dividend ETFs, closed-end funds, bond funds, index funds, and REITs.

As I said in "Let Dividends be Your Lighthouse through Retirement," we need to plan for our golden years as soon as we are born. There is no room to "play around." Dividend investing is best when we begin the journey as early as possible.

Having an excellent portfolio of blue chips and some dividend ETFs is a good way to hedge yourself against a company going bust in the future. There are some very good dividend ETFs that should meet your income and appreciation needs.

Ensure you do your due diligence and pick the winners. I keep 3-5 dividend ETFs in my portfolio at all times, so I am a fan. You will have to see how you can fit them into your portfolio. I hope this helps you out a little. Please grab the Free PDF ebook on the way out. Enjoy and Happy Investing.

## HOW TO START DIVIDEND INVESTING


### 25 How to Start Dividend Investing 101: Find Your "Why"

Sometimes we need to go back to the basics. It is good to review our topics from the ground up with a fresh set of eyes. Personally, I have been getting so deep into dividends that I forget where I came from.

Indeed, I just bought my first set of baby bonds last night, and I was pretty proud of myself. I was going to write about that, but I realized 99% of the world doesn't know what baby bonds are. Which kind of led me down a rabbit hole of how to catch people up to where I am.

So I want to go back to the early days when I started investing. I did not know s***. I didn't even know what the words passive income meant. I learned all about these topics in June 2019, when I was sitting in my room in Didim, Turkey, with my wife and our family.

Municipal Bonds: Tax-Free Goodness

Before you even start dividend investing, you need to have a purpose. Even bigger than your purpose is your "why." **There is nothing more important than finding your "why" before pursuing passive income!**

Why is finding your "why" so vital to your passive income and dividend journey? Because building an income stream takes time and dedication. There is no easy way to create money coming in from the sky. You have to have a deep knowledge of systems and methods for the money to keep coming in continually, and more importantly, keep growing.

Let's say you received a tax-free lump sum of $1 million. What would you do with it? How would you make it last for the rest of your life and your children's lives? If you don't learn the ways of passive income, this money will disappear very quickly.

If you think that you will turn it over to a trustworthy money manager, think again. But you don't want that because you want to get involved—that is why you are reading this article.

For me, if I received this money, I know exactly what I would do. I would build a nice triplex that I would ultimately pay off. My family would be able to live for free in one of the units. We would rent the other units out for fair market value. This would cost $300,000 in a small city. Now we never have to worry about money for the rest of our lives. The $2,000 in rent, plus living for free, would sustain us forever.

Dividends vs. Royalties part I

Then I would spend $100,000 on building a fleet of cars that I could use to start a rental car business. If I bought four cars, this would produce another $2,000/month, passively.

I would then invest $400,00 into dividend and crypto (3%) portfolios aiming for a 4% dividend yield plus a 4% growth rate. This would net me $1,300/month.

I would have $200,000 to put into bonds and wait for other opportunities to arise. Things like private money lending or starting an 18 wheeler business. When you have the knowledge and funding, opportunities will always come your way. Always.

So from this $1 million, I have a paid-off house, $5,300/month passive income, and a $200,000 stockpile of cash, waiting for more investments to arise. Not bad at all.

My Foray in FOREX

But I didn't just come up with these techniques and methods or the confidence that comes with them. I learned these things in the trenches. Yes, I had to read, read, and read some more.

Then I had to do stuff, like buy dividends, properties, and cryptocurrencies. I had to start a blog and publish my Kindle books. It takes action. The formula for luck is education + opportunity + action.

I can literally go on for days. In fact, if you ever want to read my articles in a straight line, that is the Financial Independence Magazine series. Every day I write, edit, create artwork, and publish an article. Every ten articles I put together into FIM magazine. If you read all of these in order, you would be able to invest your $1 million even better than I could. This is my lifelong project and my "why."

Now, back to your "why." Do not start dividend investing until you have your "why." No, not your goal. Your "why"— your profound reason what you want to achieve, or an endstate, that you envision reaching.

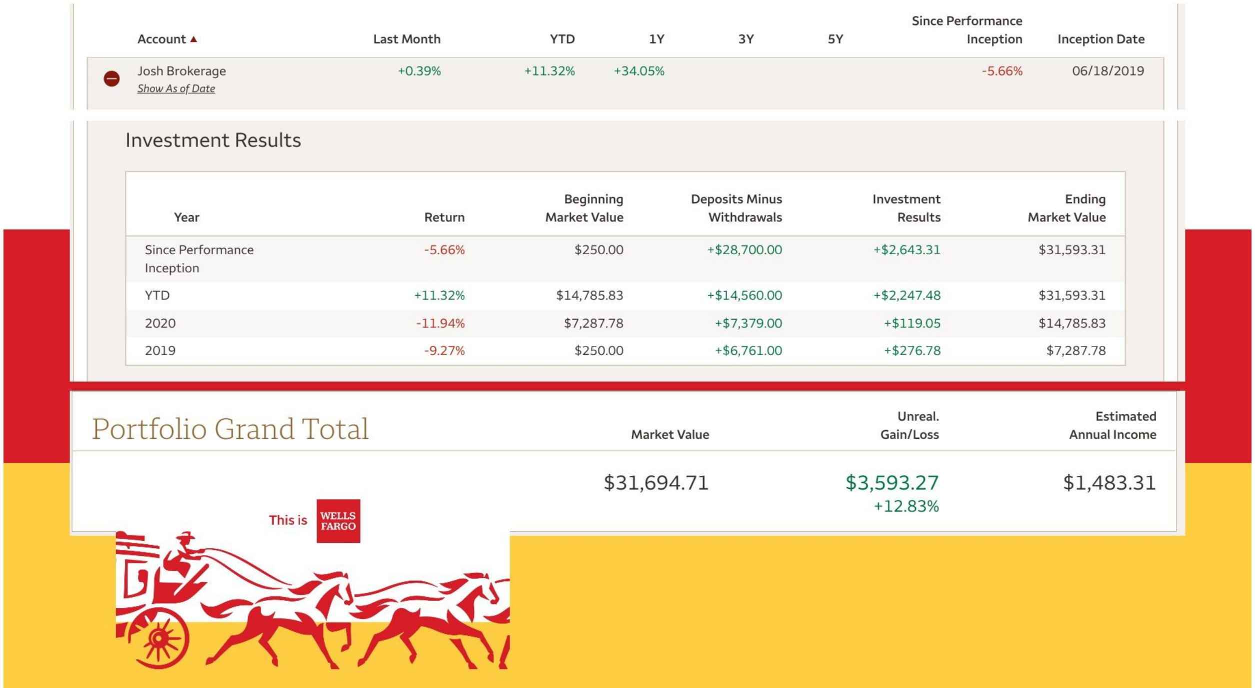
Boring Investing is Good Investing

My "why" is to be on the beach, with my wife, kids, and grandkids and not have a worry in the world. I want to be rich, in love, and surrounded by family. It's a pretty simple "why."

Okay, I know you came here for dividend investing, but finding your "why" is even more critical. Dividend investing is extremely slow at first. You will be receiving pennies every month. I started investing in dividends in June 2019, and my first dividend payment was in August 2019 for $0.23 from Papa John's. That was for the entire month.

So this month, I am looking at receiving $300/month from my portfolio only. My wife is sitting close to $120, I believe. When I receive a $22 dividend from Prudential (as I did this month), it is a thing to celebrate.

I have been working on building the knowledge and skillset to receive that considerable dividend. And now we can enjoy it by buying ice cream for the kids. That is my "why." I can spend this money guilt-free because I know it is coming in every month and will continue to grow. It is a fantastic feeling and the reason why I keep writing about it.



| Account | Last Month | YTD | 1Y | 3Y | 5Y | Since Performance Inception | Inception Date |
|---|---|---|---|---|---|---|---|
| Josh Brokerage Show As of Date | +0.39% | +11.32% | +34.05% | | | -5.66% | 06/18/2019 |

Investment Results

| Year | Return | Beginning Market Value | Deposits Minus Withdrawals | Investment Results | Ending Market Value |
|---|---|---|---|---|---|
| Since Performance Inception | -5.66% | $250.00 | +$28,700.00 | +$2,643.31 | $31,593.31 |
| YTD | +11.32% | $14,785.83 | +$14,560.00 | +$2,247.48 | $31,593.31 |
| 2020 | -11.94% | $7,287.78 | +$7,379.00 | +$119.05 | $14,785.83 |
| 2019 | -9.27% | $250.00 | +$6,761.00 | +$276.78 | $7,287.78 |

| Portfolio Grand Total | Market Value | Unreal. Gain/Loss | Estimated Annual Income |
|---|---|---|---|
| | $31,694.71 | $3,593.27 +12.83% | $1,483.31 |



You can review my Wells Fargo account above. I started it on June 18, 2019, with $250. Now it is sitting at $31,600. Today is June 25, 2020. So precisely two years. We have $180,000 in total in dividend accounts. We are very proud of where we are right now, but we had to start somewhere.

Do I Need a lot of Money to Start Investing?

Look at the annual income that my Wells Fargo account is giving us. Almost $1,500/year. That is roughly $125/month of passive income that we can spend as we choose. The dividend yield is approximately 5.2%, which is pretty high.

I am going to teach you all these things throughout this series. I want to take it super slow. I already have a ton of series on dividends, and there is no need to re-write those. This will be a prolonged, lengthy series that I want my children to read to start their dividend journey.

Let's review what series I already have available. These will be for the people who already have decided to become dividend investors and are looking for faster-paced articles.

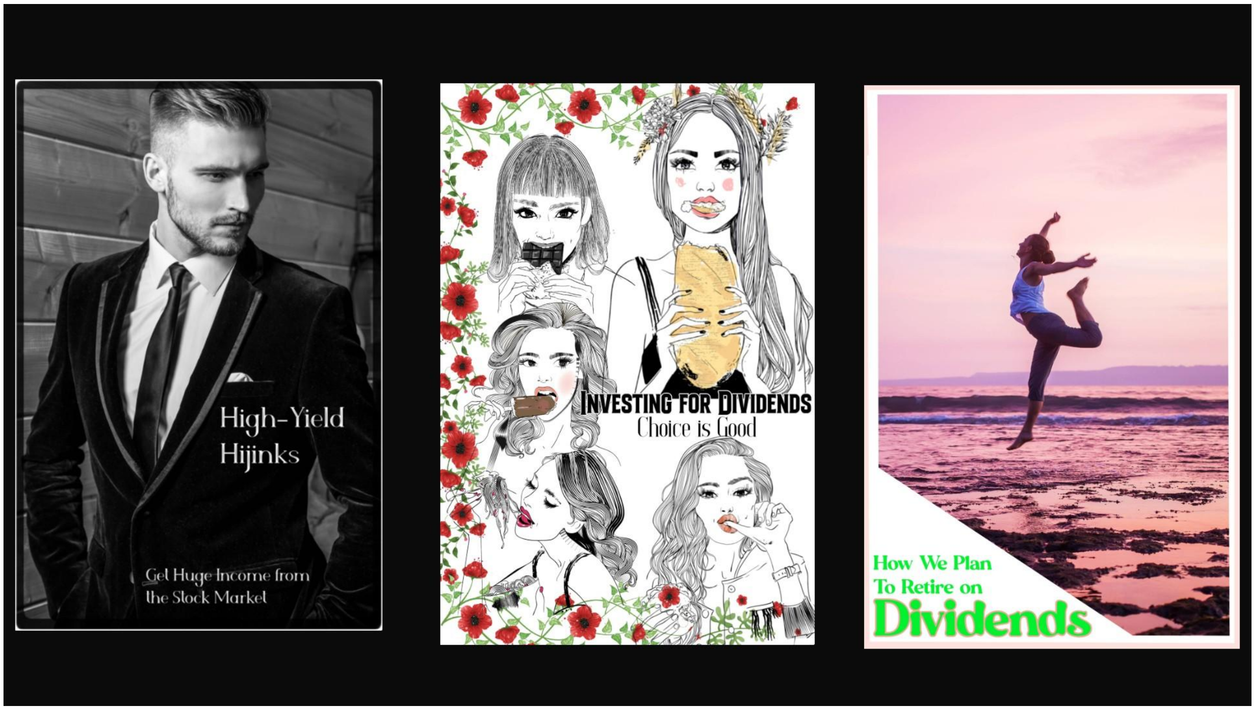
First, we have Stock Market Investing 101 Series, where we cover the overall stock market and some techniques you can use to get invested.

Next, we have Investing for Dividends Series 101 (book), which is purely focusing on starting and recording your dividend journey.

Compounding: 8th Wonder of the World

Then, we get into the high-yielding segment of dividends, my Real Estate Investment Trust Series and Preferred Shares 101 Series (book).

Finally, the best place to start is the article "How We Plan to Retire on Dividends (book)." This has a lot of information for your journey.




For this series, I want to go step-by-step into creating your dividend journey. Things like how much you can invest, your investment goal, what is a dividend yield, what companies will best suit your investment style, etc. There is a lot to talk about, and I will give myself a long time to cover it.

In the meantime, please consider your "why." How do you define being rich? Who do you want to take on your journey? You have a lot to consider. I will see you next time, and I look forward to spending a lot of time in the How To Start Dividend Investing 101 Series. Good Luck!


## 26  How to Start Dividend Investing 102: Set Tiny Goals

I have written multiple articles on how we plan to retire on dividends, and I will continue to do so over the next 30 to 40 years. But in reality, our military pension will be enough to cover our significant expenses for the rest of our days.

So why do I keep writing about dividends? Because they are just freaking cool! How amazing is it to create your own paycheck, and continue to grow it, and also have companies help you grow it as well? Over time, the compounding effect becomes a tremendous joy in your life.

And as much as I love seeing $20, $30, $40, and even $50 dividends being deposited in my account, I always remember that I had to start somewhere. Yes, precisely two years ago, my dividends looked like $0.20, $0.30, $0.40, and $0.50.

How to Start Dividend Investing 101: Find Your Why

So today, after two years of being a dividend investor, my best advice is to **Set Small Goals**. And as a side note—**Enjoy Your Dividends**. To get the best results in the early days, you will want to combine these two ideas to keep motivating you. Let’s dig into these topics.

Set small goals and enjoy your dividends go hand and hand together. Set small goals refers to having small goals for your dividends to replace parts of your spending habits. For example, having $20 worth of dividends pay for your Netflix account.

Indeed, I have seen many people online say to start slowly having dividends pay for smaller bills along the way. I think this is a great idea, if not boring. This is why I throw in the "enjoy your dividends" caveat. Why use your dividends to pay bills when you can use them for guilt-free spending?

I would rather use my $20 in dividends to buy two Starbucks coffees or go to breakfast at McDonald's. I think you get the full effect of dividends when you use them on something fun, meaningful, and for relationship building.

In the beginning, I reinvested all of my dividends, as the internet instructed me. However, once I started my Cash App challenge, I realized that not everything had to be reinvested. Why wait 30 years to have fun with dividends. By that time, you will just be using them to pay bills anyway.

I decided to use a portion of my dividends to fund such a fun lifestyle, and it is truly motivating me **TO SAVE MORE**. That's right, the more I look forward to receiving big dividends, the more I want to invest my earned income to increase my payouts.

The Year of Dividends

If I were just reinvesting my dividends, I would just let time and compounding do their things, with no motivation to see pay increases. Now, I am counting the days for my Pimco payments (PCI, $51), AT&T (T, $32), Phillip Morris (PM, $20), Prudential (PRU, $22), and AGNC (AGNC, $13). Those are just a few of the many paychecks I get throughout the month.

**Where should YOU start?** Now it is time for you to pick your starting goals. I wish I had picked some small starting goals in the beginning. I just looked at my dividends on a spreadsheet for the first year—no fun in that.

Dividends vs. Capital Gains

What is something minor you love to buy at the gas station or Walmart but you feel guilty about? Maybe a bag of chips, some candy, or a collection of shot glasses? Whatever the case, I would start with something smaller than $10/month. It may take you a couple of months to get to that amount of income.

From there, move on to the next goal. It may be a $40 monthly manicure or pedicure. How about taking the family to dinner at Applebees for $100. It is all in the realm of possibility with consistent dividend investing. And boy, does it feel good to be in control of your finances. I have never had this level of **stress freedom** (just made that up) in my life.

For example, Kris doesn't check on her dividends accounts often; it's mainly my forte. However, when we checked her Wells Fargo account, she had accumulated over $100 in dividends over the last 4-6 weeks. Truly an amazing accomplishment.

I could have just reinvented the cash, but seriously, what is the fun in that? She has four brokerage accounts, and they all have some form of reinvestment strategy; we can spare a few dollars. I asked her what she wanted to do with it, and she suggested letting it sit there.

However, in proper spouse form, she found some shoes she wanted to buy. So I transferred the cash from her brokerage account to her checking account, and she bought the shoes. Truly guilt-free, stress-free living.

Pay Off Debt or Start Investing?

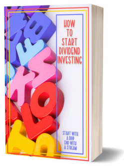
This is just a tiny example of how dividends can indeed be life-changing. Sometimes, you need to imagine how these dividends will compound into vast numbers, like $2,000/month or $4,000/month. Can you see the possibilities?

But don't get too excited yet. Let's start with your $10/month goal—what do you have in mind? If I had to go back, I would have started with a weekly ice cream bar for $5/week. Now, I go into the store, buy my ice cream, and feel fabulous because dividends funded the purchase.

Let me know what your small goal is and what you plan for your more extensive purposes. Your dividend goals truly can come true if you stay the course. Enjoy and Good Investing.


## 27 How to Start Dividend Investing 103: Pick Your Platform

Beginning your adventure as a dividend investor may seem daunting from the outside looking in, but that's why I am here. In "How to Start Dividend Investing 101," we discussed your long-term outlook for the journey. In "How to Start Dividend Investing 102," we talked about slowly integrating dividends into your life—forming a habit of living off your investments.



## How to Start Dividend Investing

Now, it is time to put our money where our mouth is. We need to pick a platform and start this investing train to become a habit for the rest of our lives. I have already written a couple of articles choosing a platform (Stock Marketing Investing 105, Investing for Dividends 105), but this article is for beginners.

There are tons of brokerages, banks, and apps to take your investing dollars. I have five locations where I put my dividend cash, and I recommend two of those for beginners. The two apps I recommend are **STASH** and **CASH APP**.

Annuities vs. Dividends

The most important aspect of being a new investor is "automatic investing." I first read the concept in "I Will Teach You to Be Rich," where the money comes directly out of your checking account before you even get a chance to see it. Most of us already do this sort of thing with the 401Ks from our employers.

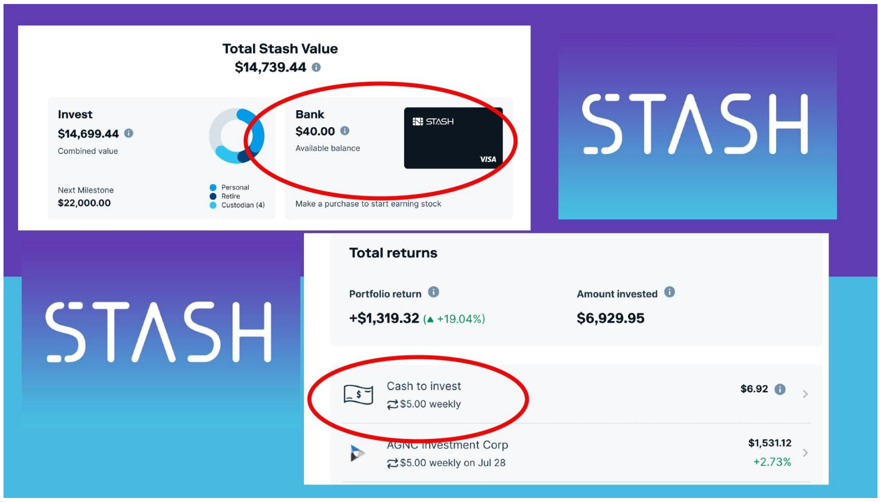
STASH is my favorite app for automatic investing because of the number of options you can tinker with. You can have weekly and monthly withdrawals from your accounts. I like weekly investments into my dividend stocks and ETFs.

I have my automatic investments divided into three categories within STASH: my main brokerage, Roth IRA, and spend account (which I link to a STASH debit card). When I first started, I believe I had $15 coming from my account each week.

The first schedule I employed was $5 to my brokerage, $5 to my Roth IRA, and $5 to Spend account. You can start with less if you'd like as well. Over time, you will find yourself investing much more as you begin to see massive results over time.

How to Stay Motivated

Today, I invest $175 per week into my STASH. Most of that goes into blue-chip dividend stocks like McDonald's, T. ROWE, AT&T, AGNC. Of course, I also invest in my favorite index fund, VTI, inside both my brokerage and my Roth IRA.




There are two remarkable aspects of STASH that make it exciting to invest in—SPEND and "Cash to Invest." I'll talk about the Cash to Invest feature first. As I discussed in "Investing for Dividends 105," most brokerage accounts have a money market account linked inside of the dividend account.

This money market account is sort of a cash flow checking account. For example, if I want to invest $100 in AT&T, it may only cost $97. The remaining $3 would sit in my money market account until my next purchase. When you receive dividends that you do not reinvest, they also collect in your money market account.

$1,000 Dividends Spending Spree

With STASH, you can send weekly money into your money market account, called "Cash to Invest." It is cool because I forget I have money going into my Cash to Invest most of the time. I may see it once a month or even less.

Then one day, I want to make some purchases, and I may have $40-70 there to invest. I like this feature a lot, and it seems like free money by the time you get to it. SPEND is the exact same, except the cash sits on your debit card account.

I have yet to spend any money using my debit card, and I have used STASH since December 2019. When you have cash sitting in the SPEND bucket, you can use it across your brokerage, Roth IRA, and custodial accounts. So, it gives you more options to leverage your money. It also has a Stock-Back feature, which gives you a percentage of your spending back as stocks. Again, I don't use the debit card.

Retirement Planning for the Average Person

Finally, you can still log into STASH and purchase stocks any time you want. If McDonald's drops 10% in a day, I would like to buy it at those prices. I can still log in, make a purchase, say

$300, and that money is pulled directly from my linked checking account (in my case, Wells Fargo). This gives you maximum flexibility to make investments on juicy dividend days.

All in all, STASH is exceptionally newbie-friendly, and the automatic investing options are second to none. You can also choose to have your dividends collect in your Cash to Invest account. I reinvest all of mine, but in about 20 years, I will just let them accumulate. Then I can transfer them to my debit card.

Inflation vs. Dividends

I use the CASH APP, the exact opposite of my STASH account. I love the Cash APP because my dividends come directly to my checking account. I had one of the best moments of my dividend investing career with the CASH APP.

I was out shopping at the PX on base one day during lunch. I received a buzz on my phone, and I read that AGNC paid me a $13 dividend. I looked at my CASH APP, and sure enough, I had a fresh $13 available to spend that very second.

I still find the CASH APP one of the best ways to get addicted to investing for dividends. Yes, reinvesting your dividends is impressive, but taking a few and spending is how you train yourself to first pay yourself, then live from your investments–this is how the rich spend their money.

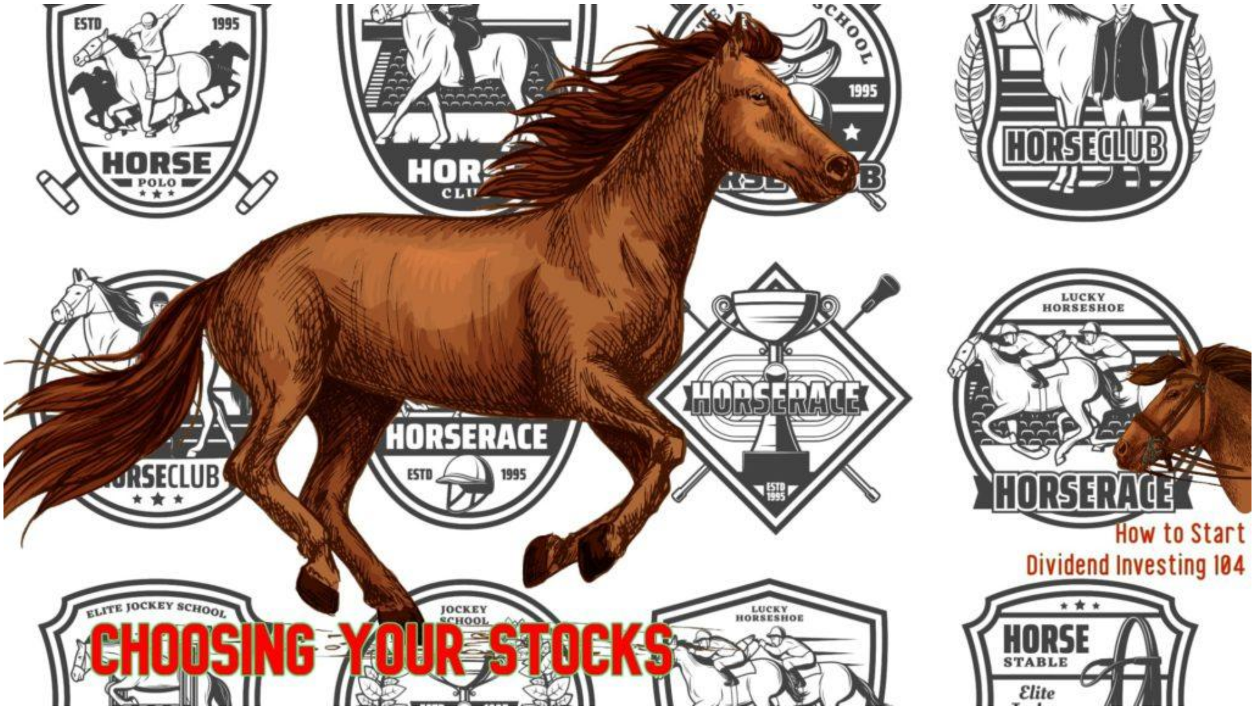
Dividends vs. Royalties part II

This month, July 2021, I reached $80/month in my CASH APP dividends. That is 80 guilt-free dollars that I can spend as I wish, no remorse, no questions. Once you understand the value of living from your investments, it is life-changing.

You realize that your investments are paying you, not an earned income job. You can also make money while you sleep, which is the only way to become financially free. For these reasons, I highly recommend the CASH APP for beginners getting into the stock market.
After you use these platforms for a few months (I recommend 4-6 months), you can move on to more complex platforms that can broaden your investing options. The other platforms I use are M1 Finance, where you can make intricate investing pies. Then, Charles Schwab and Wells Fargo are highly complex but offer you almost every investment option under the sun.

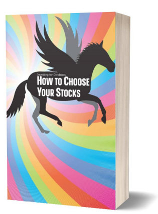
In the end, pick whatever platform you can understand. You may already have the CASH APP downloaded, so that it might be a good starting point. I have an article on my favorite blue-chip stocks that may help you make some early choices.

The most important thing is to jump in and start learning. As soon as you become addicted to receiving passive income, the sooner you will start making choices that can help free yourself from the confines of work. Welcome to Stress Freedom!




## 28 How to Start Dividend Investing 104: Choosing Your Stocks

Going shopping is one of our favorite things to do—why should dividend investing be any different? Many people avoid handling their own investment accounts because it can seem intimidating to choose their own stocks. Let's fix that today by building a small dividend portfolio.




### How to Choose Your Stocks

Welcome back to the How to Start Dividend Investing 101 series (101, 102, 103), where I walk you through the process of dividend investing. Please take the time to read the previous articles so that you are all caught up before we go on our dividend shopping spree.

Finally, you have the basics of dividend investing: you found your "why," set tiny goals, and picked your platform (preferably STASH). **Now, what freaking companies and stocks do you invest in with your hard-earned dollars?**

Preferred Shares 103: The Rule of 72

This is the part that most people try to avoid because they think every company has to be a home-run hitter. People also get nervous about stocks going up and down. Dividend investing is different from investing for capital gains because dividend stocks have a dividend yield.

The **dividend yield** is the annual dividend divided by the stock price. For example, if XYZ company costs $100 and an annual dividend of $5, the dividend yield will be 5%. Since all dividend-paying stocks and companies have a yield, let's start there when building our portfolio.

My personal target is a 4% annual capital appreciation and a 4% dividend yield. What will this look like after a year? If I invest $10,000 into my 4/4 portfolio in a year, the ending balance will be $10,400. I will have also received $400 in dividends. The goal for my portfolio would be to live off the $400, while the rest of my account would continue to grow uninhibited.

Of course, I cannot live off $400/year, but what if I had $1 million in my portfolio. The numbers would be $1,040,000 at the end of the year and $40,000 in dividends. Now we are talking. In fact, that is our next dividend investing goal, to reach $1 million in the next five years.

Now, you have to choose your target goals for capital appreciation and dividends. My 4/4 goals are pretty easy to achieve with a mix of index funds, blue chip stocks, and high-yield products. However, I am probably a little more advanced than you. So let's start with a target goal of 5% capital appreciation and 3% dividend yield.

Stock Market Investing 106: High Yield Alternative Investments

I like these numbers because you can avoid the high-yield products for now. Let's also start with $1,000 because it is a nice safe number. Remember, dividend investing is a marathon, not a sprint. You can see 52 weeks of my dividend challenge where I started with $170 and reached $23,000 in one year.

Another good method would be to choose the number of companies you want to invest in when you start. We also need to remember that index funds and blue-chip stocks pay quarterly. We have some REITs that pay monthly as well. We want our income to flow consistently, so let's carefully choose ten stocks, $100/each, that pay us across the various months.

Okay, now our dividend portfolio is starting to take shape. Let's do a quick review before we move further.

1) We want to achieve 5% capital appreciation and 3% dividend yield
2) We have $1,000 across ten companies
3) We want to spread out our income

Now, let's get started. I like to start with my favorite index fund, the Vanguard Total Market Index fund or VTI. Typically you get 7-10% annual returns from VTI plus a dividend yield of roughly

1.5%—this is the main growth element of the portfolio. If you want to add a full-on growth stock like Tesla, Apple, Microsoft, Amazon, you can put it in this position as well.

Do I Need a lot of Money to Start Investing?

Some people only use blue-chip stocks for their dividend portfolios, but I like to have a growth element. You can read my reasoning in "Investing for Dividends 104: The Importance of Index Funds."

Next, let's pick a monthly paying stock. It is always good to have a consistent monthly paying stock or fund. I would typically add my favorite Closed-End Fund to this portfolio. My favorite closed-end fund is Pimco Dynamic Credit or PCI because it pays a 9% dividend yield on the first day of every month.

But, I know that many apps like STASH and Cash App don't have CEFs available for investing. Instead, I will use my favorite REIT, AGNC, as my monthly payer. AGNC is a mortgage REIT that yields somewhere between 8-10%.

Great, we just need to pick eight more stocks. We need to pick three stocks for each of our quarterly periods. The periods are **January** (Jan, Apr, July, October), **February** (Feb, May, Aug, Nov), and **March** (Mar, June, Sep, Dec).

Stocks vs. Cryptos

Luckily, my article "My 24 Favorite Blue Chip Stocks" has all the information we need to pick our target stocks. We will need 3 for the January group, 3 for the February group, and 2 for the March group because VTI pays in March.

So go ahead and pull up that article and pick your stocks. I will lay out my picks below. Remember, this is the fun part of dividend investing. If you know a company, pick them. If you go to Walmart every day, then you may want to invest in them. Don't overthink your decisions. We build trust and confidence as we continue to invest, learn, and research.

| Company | Ticker | Group | Yield |
|---|---|---|---|
| Phillip Morris | PM | January | 4.80% |
| Coca-Cola | KO | January | 2.97% |
| Walmart | WMT | January | 1.45% |
| AT&T | T | February | 7.54% |

| | | | |
|---|---|---|---|
| Verizon | VZ | February | 4.52% |
| Procter & Gamble | PG | February | 2.40% |
| Prudential | PRU | March | 4.41% |
| Public Storage | PSA | March | 2.47% |
| Total Stock Market | VTI | March | 1.26% |
| AGNC | AGNC | Monthly | 8.95% |

Wow, it was hard to pick just those few stocks. I love dividend investing and picking dividend-paying stocks. I should be able to reach my 5% capital appreciation goal reasonably easily. My average dividend yield is 4.077%. I could always swap out AT%T for a stock like ALLY (Ally Bank), which is on a tremendous growth path, with a tiny 1.45% dividend yield—if I wanted more growth vs. yield.

Why Do I Need to Invest in the Stock Market?

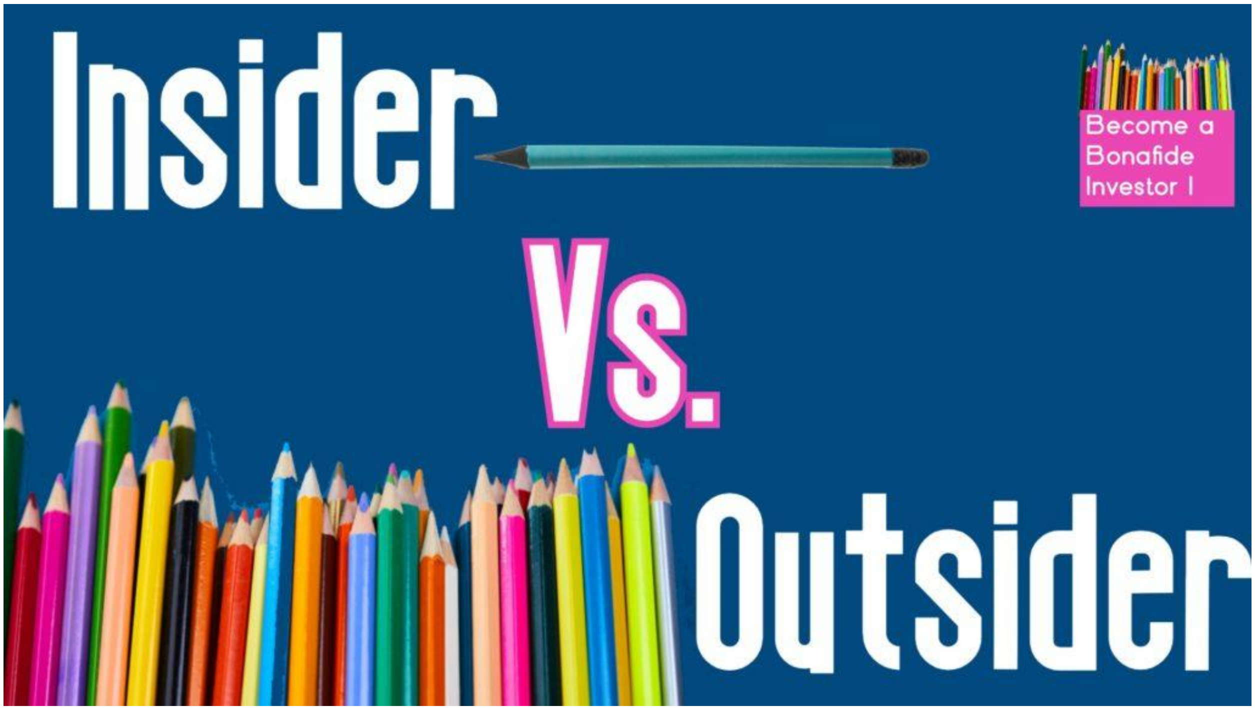
There are so many ways to invest for dividends; you just need to understand the concept. I was able to research my picks on Yahoo Finance very quickly. If you don't know the company, please read and understand what they do, who they are, and how they make money. Do not pick companies just for the yield.

A quick word on mindset. Investing for dividends is the long game, not a pop-and-swap charade. In the article "Let Dividends be Your Lighthouse through Retirement," I explain how having dividends can be life-changing.

Dividends are the marathon that you always wanted to run. You and these companies will grow to be best friends. They will have some hard times, but also some great times. Unless something significant happens or changes, I stay invested with my companies for the long haul.

I hope this helped you get a better look inside dividend investing. I know you may still be on the fence, but you can build watchlists on some websites and track your progress without spending money. Paper trading is an excellent way to get more comfortable before jumping into the fire. Enjoy and Happy Investing.

## BECOME A BONAFIDE INVESTOR




## 29 Become a Bonafide Investor I: Investing Insider vs. Outsider

So you want to be an investor, huh? Well, being an investor is more than just putting money into the stock market. You have to understand the bigger picture and also the smaller picture.

The bigger picture is everything external that affects the markets. Whether that is interest rates, the employment rate, or the housing market, understanding the bigger picture will ensure you are making the best investment decisions with the information on hand.

The smaller picture is how you structure your investment life. You see, if you structure your investment life to meet your goals, you will not need to make out-sized returns to achieve success. And if you don't need out-sized returns, then you can make decisions at the right time for the right reasons.

The "**Become a Bonafide Investor**" series is about understanding the bigger and smaller picture to help you make significant investment decisions for your lifetime. Although this series will fall under my investment tab on my website, it will still cover real estate, crypto, and tax considerations. You see, everything ties together because it all affects you, the investor.

Over the course of this series, we will cover such things as investment cycles, commodities, interest rates, precious metals, hedging vs. speculation, and FOREX. And these are just the start. Hopefully, I can continue this series for years to come. But now, let's get into our first topic Investing Insider vs. Outsider.

First, let’s clarify the definitions of the words investment insider and outsider. An investing insider is not doing anything illegal or receiving insider information. The insider has access to control of his investment vehicle. I’ll explain more below. The investing outsider is outside the investment vehicle and cannot make decisions that affect the outcome. Let's take a look at how this plays out in real life.

**Real Estate Investing Insider.** I am a real estate investing insider. I own multiple houses. I can increase the return on my homes at any time I want by doing certain things like raising the rent, adding rental spaces, making great use of my land, etc. For example, we are in the middle of refinancing our primary residence, which will put $200 back in our pocket. We have control of the outcome of our returns.

**Real Estate Investing Outsider.** I own multiple shares of REITs on the stock market and off of the stock market (Fundrise). I have no control over how they run their businesses. However, I can control what REITs I own, when I buy them, and how long I keep them. To make the best purchasing decisions, I need to become a bonafide investor and understand interest rates and the housing market.

The best thing I can do as an outside investor is to position myself to make the best possible returns. If I want to increase my return by $200/month, I will need to invest a large amount of money into the REITs. However, I also carry less risk than owning property directly.

**Business Investing Insider.** I own my own business—it is a Kindle publishing and website called Military Family Investing. I write articles daily and publish on my website and combine them into a book format for easy reading. I control how many books I release, when I release them, and their price.

From there, I can increase my opportunities to make money by adding advertising, affiliate marketing, hardback selections, and publishing in different languages. I have complete control of the financial aspect of the business, and I can do whatever the market can support.

**Business Investing Outsider.** On the stock market, I invest in Amazon shares. I have no control over Amazon and their business. They can shut down the business tomorrow or merge with Walmart. Whatever they choose to do, it is up to them. I am a speculator, for lack of a better word.

**Why is understanding Insider vs. Outsider so important?** You need to understand what you are, insider and outsider, and make sound investment decisions based on where you sit. You also need to manage expectations.

Too often I see people trying to get rich as an outsider. Being on the outside has certain perks, like less perceived risks, the ability to move in and out of investments faster, and investing as a large group. But being on the outside is not for becoming rich. It is to keep your money generating more money. The big “pot” or “source” of money should be coming from your insider investments.

Okay, let’s break this down into different terms. As an example, let’s say I want to bring in $6,000/month passive income. Using only the stock market, I would need $1.8 million in my dividend portfolio to achieve this monthly payment amount. I can probably reach this in 8 years.

If I wanted to make the $6,000/month from my business, I could separate it into $2,000/month each of royalties, affiliate marketing, and website ad revenue. If I busted my ass, I could probably reach this amount in three years. But the true magic hasn’t even begun.

I can then convert some of my books into audiobooks, different languages, a subscription model on my website, etc. The money keeps rolling in. On top of that, this money is entirely separate from the stock market and its fluctuations. I have complete autonomy to increase income as I deem fit.

**How do I become an insider?** In the stock market world, you have to become an accredited investor. When you are accredited, you will need to earn roughly $1 million a year, among other stipulations. Once accredited, you will have access to a more significant part of investments that could be deemed risky by the SEC.

Some investments you can participate in are: angel investing into startup companies or helping to take companies into their initial public offering. You get to buy into companies for low amounts (say $1/share) and then watch as it goes to IPO and the shares sell for $200/share. Getting in early is how you become wealthy—not being a buyer at the IPO.

I am not trying to discourage anyone; we all start as outsiders. Just realize where you are on the wealth pyramid and work your way up. Let’s take cryptocurrencies, for example. Most of us are on the outside right now. We are learning about coins, smart chains, and smart contracts.

That does not mean that we will always be on the outside. We can work our way up the chain. Remember, the closer we are to the inside, the richer we become. So we can slowly work our way up to the groups that release coins. We can buy in before their initial coin offerings. Then over time, we can start our own syndicate that can eventually release its own coin. It may take some time, but the real money is in climbing the pyramid and creating an investment vehicle for others (outsiders) to invest.

The ideas in this article are from the book “Rich Dad’s Guide to Investing.” These ideas changed my life because I was purely a dividend investor when I read it first. Then I realized I was on the outside of this business. Shortly after reading this book, I decided to become an insider and start my business.

You do not have to be an insider in everything, probably just in a couple of areas. You can be a dividend and crypto investor and own a couple of rental homes and gardening businesses. As an investor, we can take a whole life approach. When you synergize your entire life, you become a bonafide investor.

Let's take the life of a bonafide investor. In one month, their job gives them a $100/month raise. That is very nice; however, they also raise the rent to the tune of $100/month. Their dividend stocks increase the dividend by $100/month, and they make some changes to their business for an increase of $100/month.

Overall, the bonafide investor brings in $400/month because of the diversity of their portfolio. They are insiders and outsiders, but the total package leads to wealth building at a fantastic rate. Instead of trying to be an outside investor attempting to increase their payout rate on the stock market by $400/month, the bonafide investor uses all their resources to become wealthy.

And that is the jest of the Become a Bonafide Investor series. We want to use everything at our disposal to become affluent over time and with a whole life diversification mindset. There is no reason to get involved in risky ventures. We need to be well-read, deliberate, and versatile. Welcome to **Becoming a Bonafide Investor.** Good Luck!


## 30 Become a Bonafide Investor II: Inflation is Coming

To become Bonafide investors we will need to comprehend the bigger picture when it comes to our investments. In Part I of our series, we talked about the difference between an [investing insider vs. an outsider](#).

Today, we will discuss one of the most significant factors in your investment thesis: inflation. Inflation usually happens when the money supply has increased to the point where too many dollars are chasing after too few assets.

Consider today's housing market. A house goes on sale, and within hours bids are starting above the asking price. The house will sell for above the asking price. Now, the next place can base its asking price on the comparable home that just sold. Prices all go up—this is inflation.

When it comes to judging inflation, we need to take a holistic approach. It is in the government's best interest to state that inflation is under control. In fact, part of the Federal Reserve's mission statement is to manage inflation.

The Bureau of Labor Statistics reports the Consumer Price Index (CPI) every month. Here is a must-read article concerning CPI on Investopedia. CPI uses a basket of foods, services, transportations, and medical care to gauge the rate of inflation. CPI controls the cost of living allowances for such things as social security, treasury bonds, and military pay.

Now, this is where we, as investors, have to dig deeper than the average person. We know that the prices of goods and services are sky-rocketing in today's market. I can feel the effects when I go to the commissary. But where are prices really rising? In risk assets.

Risk assets can be considered assets that contain some form of price risk. The term risk assets can allude to real estate, stocks, bonds, gold, silver, and cryptocurrencies. They are sometimes referred to as risk assets because their performance can fluctuate depending on inflation, among other things.

CPI does not take into account the prices of risk assets. This means that the government may say that inflation is rising at 2%, but real estate has increased 10%, the stock market is over 15%, and cryptocurrency is 40%. These are all make-believe numbers, but you understand where I am going with this.

When the government prints money, the prices of CPI goods, services, and education do rise—however, the prices of risk assets sky-rocket. There are too many dollars chasing too few assets.

As a bonafide investor, we need to understand why the Federal government wants inflation to occur. They want to control it, but make no mistake about it; the government needs inflation.

Our government owes a lot of money to ourselves. We are creating treasury bonds that we, in turn, buy ourselves—this is how we print money in today's government. We still have to pay the interest in these bonds, however.

The federal government attempts to control inflation, among other things, with the federal funds rate. The federal funds rate is the basis for such things as the treasury bonds rates, mortgage, and your savings account. The interest rates on your savings account are a derivative of the federal funds rates.

When the federal reserve lowers the funds rate to zero, it is trying to stimulate the economy. Usually, this means the Fed is attempting to fight off a recession or depression. Let's take a look at a few affected areas when the funds rate goes to zero.

**Mortgage rates** hit rock bottom as fed rates lower. Mortgage rates spur the economy by people buying and selling houses. However, prices and interest rates have an inverse effect on each other. The easiest way to understand the relationship between prices and interest rates is to look at a house's monthly payment.

Let's pretend that a house is worth $2,000/month. We can arrive at this monthly payment with a relationship of the price and interest rate. When the interest rate is low, the price goes up. When the interest rate is high, the price goes down. Right now, interest rates are rock bottom, so prices are sky-high. Understanding this relationship is key to forming our investing thesis in many areas, including stocks, real estate, and business.

**New businesses** began to form during a low-interest rate economy because there is "cheap money" everywhere. Banks want to originate as many loans as possible for the fees. Banks actually perform much better in a high-interest rate society, but more on that later.

For the most significant reason, interest rates affect our investments; **low-interest rates force the average person into risk assets**. I opened a high yield savings account at Discover bank in June 2019 with an interest rate of 2.2%. I was thrilled with this interest rate.

Today, my high yield savings account has an interest rate of 0.4%. I am not so happy now because this interest rate sucks. I keep roughly $5,000 in this account. My last monthly interest payment was $1.75. I can invest that same $5,000 into Pimco High Credit Fund (PCI) and get roughly $50/month in dividends. If I needed the money, I would at least move a portion of my money into PCI, maybe a $2,500 split.

The federal government doesn't want your money in a savings account; they want you to be spending it in the economy. That's right; the government wants you to spend your money. My favorite author, Robert Kiyosaki, puts it best in "Unfair Advantage" when he says, "savers are losers."

If you are trying to save money, at 0.4%, you will lose. Not only that, interest from bonds and savings are taxed at the ordinary earned income rate. So, not only are you receiving peanuts for saving but you are being taxed at the highest rate possible on these peanuts. "Savers are losers."

Now, back to why the government needs inflation. Remember, they are borrowing money by selling bonds to themselves. The government needs to pay interest on these bonds. The interest is based on the federal funds rate and CPI. So if they can keep these rates low, then their interest payments will remain low.

And if they can let inflation set to a certain extent, they will pay the money they borrow in cheaper dollars. Take a look at the value of a dollar from when I was born (1981) and today.

> The **inflation** rate in the United States **between 1981** and today has been 202.11%, which translates into a total increase of $202.11. This means that 100 dollars in **1981** are equivalent to 302.11 dollars in **2021**. In other words, the purchasing power of $100 in **1981** equals $302.11 today.
>
> https://www.inflationtool.com › 1981-to-present-value
>
> Value of 1981 US Dollars today - Inflation calculator

The Fed needs inflation to set to a certain extent, but without it getting out of hand. If it gets out of hand, then they will have to raise the federal funds rate. Raising the funds rate will slow the economy down. The housing market will slow down, more people will become savers, and fewer businesses will start.

We can start to see this today. I like to track the 30-year Treasury bond as my clue of inflation. Most people prefer the 10-year treasury bond. When the Fed lowered the funds rate in March/April 2020, the 30-year treasury interest rate dropped to an obscene 1.28%.

Now, the rate is creeping up to roughly 2.38%. Why is this important? Because at this yield, you are competing with some good dividend-paying stocks. Some of my favorites, such as McDonald's and Johnson & Johnson, yield close to the amount of the 30-year treasury. I would hazard a guess that most people do not want to invest in risk assets; they would rather have a worry-free treasury bond.

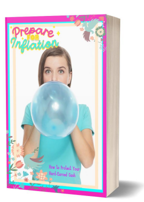
Now, what will happen when the 30-year treasury reaches +3% yields again? I would say a lot of money will leave the stock market. If it hits this amount, I would even buy $500-$1,000 worth of bonds every month. The stock market is great, but having a risk-free investment that can match inflation is just as lovely.

There is still a lot more to talk about with inflation coming. I will save that for the following article to cover how to prepare for investing before inflation. This piece was more of a background, but hopefully, you learned something. "Savers are losers," the Fed wants you to spend your money, and the federal funds rate controls your savings account are some key takeaways.

As a bonafide investor, you want to get to the point where you can form some of your own analysis. You can track your metrics and draw your conclusions. It may take some time to get comfortable looking at random statistics, but boy, does it become fun. That is the Become a Bonafide Investor Series's purpose—to help you understand the bigger picture. Good Luck!


## 31 Become a Bonafide Investor III: How to Prepare for Inflation

I remember when gas was 99 cents a gallon. The year was 1999, I was 18 years old, and I was in Pensacola, Florida. Man, those were the good ol' days. Whatever happened to those gas prices? Inflation happened to them.



[Prepare for Inflation]

That's right; inflation can slowly eat into our stockpile of money if we don't account for it. As a Bonafide Investor, we will need to take inflation into account for everything that we do. If we do not, we are doomed to lose much of our spending power over the years.

In part one of this series, I talked about being an investing insider or outsider. For most of us, we are outsiders when it comes to the stock market and crypto markets. So why do we still invest in these markets? I use them as inflation hedges.

You see, I am not trying to get the highest returns possible. For the stock market, I am aiming for an 8% annualized return. I like to split that up between 4% capital gains and 4% dividend yield. I can use the same split for cryptocurrencies between capital gains and interest.

In regular times, inflation is roughly 2-3% annualized. So, with my stock market philosophy, I can beat inflation and have a little money to spare. I like to keep my dividend yield so high because they can beat inflation by themselves.

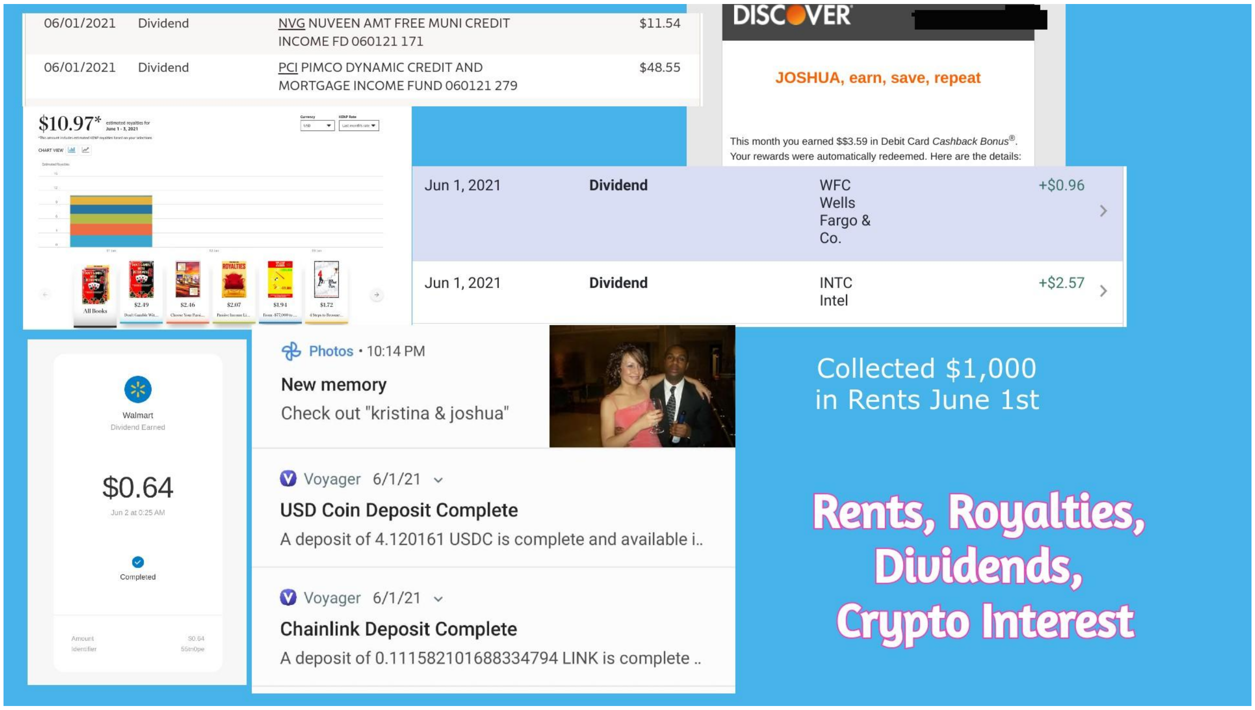
If this all seems above your head, that is okay. To form the mindset of an investor, you must hear someone talk like an investor. As we raise our children, we stop chatting in baby talk and start speaking to them as adults. Investors always think about inflation.

Earlier, I said that inflation is 2-3% during regular times, but what if it is higher than that? In part two, I noted that inflation is coming, and I meant it. We do not know how bad inflation is going to be this time around.

So we need to prepare for the worst when it comes to inflation. Inflation hit an all-time high in the 1970s, with interest rates hitting 20%. Now, we may not be getting inflation this bad, but it could get to 4-5% annualized. So how do we prepare?

We can prepare two ways, on the stock market and off the stock market. I am a total investor and tend to see the world as a complete picture. When people tell me that they made a 15% return on the stock market, I say, “great.” I am renting rooms for an infinite return every month. No amount of money can capture the concept of printing money. I am also printing money as I am writing articles and publishing books.

Do not get caught up comparing yourself to single-minded investors, whether they are real estate, crypto, stock market, or business. I would much rather be well-diversified into all of them than be an all-star in one. Here is a sneak peek at a day in my life.



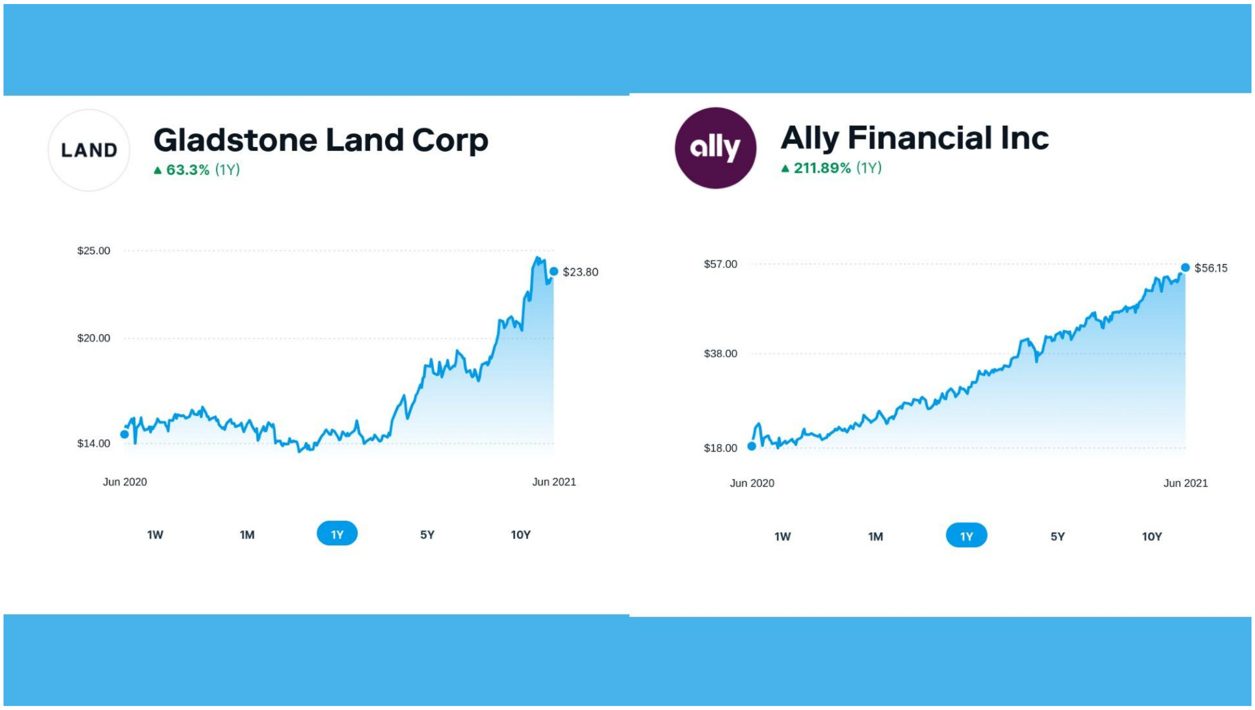

The best way to get rich and beat inflation is to have money coming in from all angles—every single day. This is one day, June 1st, 2021, where I collected all types of cash. I earned money from my Discover high yield savings account, dividends, rental income, crypto interest, and royalties from books.

If you can do this every day, you will surpass inflation and become rich on the way. But let's focus on how we can attempt to beat inflation on the stock market.

**On the Stock Market.** Certain securities perform better in inflationary and times of high interest rates on the stock market. **Commodities and banks** are two types of investments that usually perform better through these times. I will have an article on commodities coming up soon.

Commodities are physical products used for consumption and production. They include things like pork, wheat, oil, etc. Getting into the commodities market can be extremely difficult because there is a steep learning curve. I know because I read a book called "A Trader First Book on Commodities."

Just because it is hard to trade commodities doesn't mean that we can't invest in them. We can invest in individual companies that supply commodities. Their stocks may also perform well in the stock market.




I actively invest in a Real Estate Investment Trust named Gladstone Land Corp (LAND). They own farmlands that produce commodities. The REIT is doing very well and has become expensive. It is important to note that I am a buy-and-hold investor. I dollar costs average into my positions and hold them. I am not trying to turn a profit on my investment during different cycles.

Now, that doesn't mean I don’t purchase investments at opportune times, but the intent is to hold them.

Banks also do well in times of high-interest rates because they can pass these rates onto consumers via bank loans, mortgage loans, and credit cards. Remember, the federal reserve may raise interest rates to slow or control inflation.

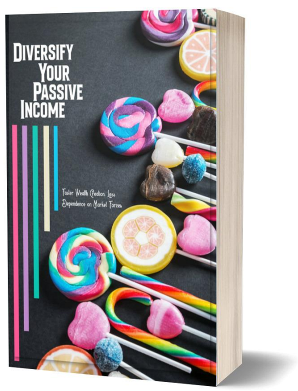
I love investing in banks, especially when interest rates were cut last year. Now they are recovering nicely, and I am positioned well going into inflationary times. I invest in Ally Bank (ALLY) and Wells Fargo (WFC). Their dividend yields are pretty low, but I am investing for the long term.

**Off the Stock Market.** I believe the best thing to do for inflation is to keep making money outside of the stock market. The more diversified you are, the less likely you are to be a victim of market forces. As I displayed in the picture above, you will need money coming in from all angles and avenues.

Remember the five asset classes of passive income retirement income, investment income, business income, rental income, and cryptocurrency income. Write down these five pillars each and every month and tally how much you make in each.

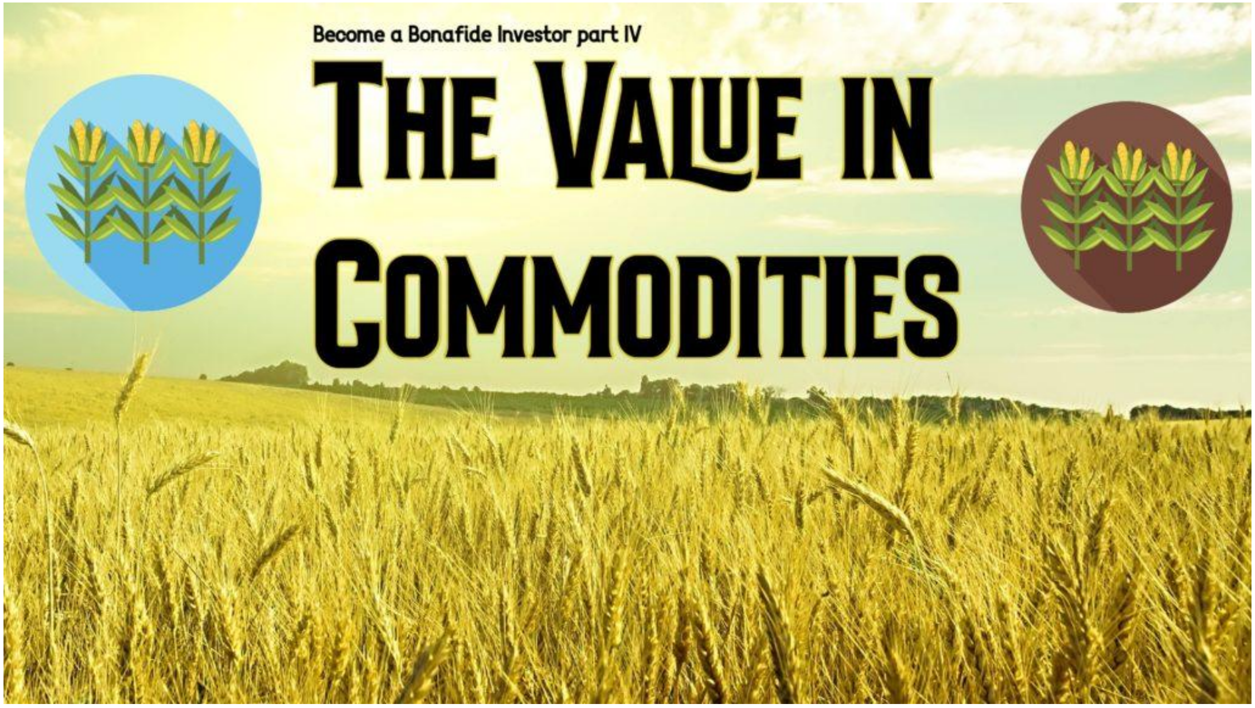
You will be stronger in some as you compare to others. Work on the ones that you need to increase. I did not have any business income starting at the beginning of this year, but I achieved $40 in royalties last month through hard work. Every income stream has to start somewhere, and it usually isn't high. The idea is to keep at it until your income drip turns into a stream and eventually a waterfall.

I wrote more about this topic in "Diversify Your Passive Income" and the book format. I'll leave a picture of the book cover because I think it is incredible!




Inflation is coming, and as a Bonafide Investor, it is your job to account for this money-hungry monster. **On the stock market**, you must ensure you are purchasing securities that hedge against inflation. **Off the stock market**, diversify your passive income, and keep building wealth generators.

If you can do these two things, you will be well prepared to defeat inflation and succeed as others struggle. Good Luck!




## 32  Become a Bonafide Investor IV: The Value of Commodities

Commodities are one of the most important asset classes; however, most people haven't even heard about them. How is this possible? Well, there is nothing sexy about talking about commodities.

Before we dive into everything commodities, I'd like to welcome you back to the Become a Bondafide Investors series (Part I, part II, Part III). This series strives to give you advanced information on the investing world. Now, let's jump back into the world of commodities.

**What are commodities?** From Investopedia; A commodity is a basic good used in commerce that is interchangeable with other goods of the same type. Producers use commodities as inputs to the production of other goods and services.

Military Success 105: Financial Fitness

Some commodities include grains, corn, soybeans, wheat, milk, cocoa, coffee, sugar, oil, and natural gas. To trade commodities, sellers and buyers exchange contracts for a specific amount on a specific date.

This is all pretty standard stuff, so to unlock the value in commodities, you must understand how important they are to supply and demand. First, let's talk about the history of futures contracts.

In the 1800s, in the Chicago area, there was a huge market for grain. However, grain elevators (where they store grain) were limited, leaving storage and transportation as major obstacles to getting grains to market. Many farmers would lose money because of oversupply and bad road conditions to Chicago.

On the flipside, after harvest, there was so much supply they would dump grain into Lake Michigan. If only there were a way for the farmer to sell his grain at a certain price point in the future. That way, there would be no price shock at harvest.

**Enter futures contracts**. Futures are contracts for commodities that are set sometime in the future. Futures allowed the farmers to safely bring their grain to market and predict profits on a reasonable timeline.

5 Benefits of Options Trading

Futures contracts allow farmers to hedge against weather conditions, bad crops, and market changes. Producers can use futures to price protect (lock in rates) their crops. In the 1800s, this allowed farmers to produce crops without worrying about fluctuations in price safely. There is an excellent example of hedging on Investopedia.

Futures contracts also allow non-producers to get involved in the commodities markets. These investors are called speculators, and they look to make a profit between the fluctuations in prices—this is called the **futures market,** and it is a beast.

I read the book "A Trader's First Book on Commodities" to make sense of the commodities market. To be honest, I haven't even touched the surface of the world of commodities. Yet, I persist because Robert Kiyosaki tells me that commodities are their asset class.

Compounding: The 8th Wonder of the World

So now we understand that commodities are essential goods that producers trade on the commodities market. Futures are commodity contacts that exchange for future delivery. Producers and speculators use futures contracts to hedge and speculate with these goods. There is a lot of money to be made in commodities and futures if you understand the world.

But unless you want to dedicate 4-6 hours a day to learn this new world, I would not recommend you to get directly into commodity trading. The book explains that it is prohibitively expensive to trade commodities, and most fail to make money. It is an adult world, with adults losing money every day.

But there are ways to involve yourself with commodities; you just have to know-how. But why would a standard investor care about commodities? **Commodities are an excellent hedge against inflation**.

Inflation occurs when there are too many dollars and not enough goods and services. For example, say the government gave everyone in America $2,000. Now, everyone wants to buy the new 70 inch TV. The TV price would increase because everyone has money to buy it, and there are not enough TVs to go around. This is inflation—supply and demand.

Commodities are a function of supply and demand, so a conversation about commodities usually follows when you talk about inflation. Let's take a quick look at how the timber market affected the housing market in 2021.

Due to the pandemic, mill shutdowns, and surging demand, prices of timber (a commodity) began to sky-rocket. CBNC says that due to the [increase in the cost of timber], new homes prices shot up by $36,000. The housing market has a lot of demand and not enough supply, and timber prices exacerbate the situation.

[Preferred Shares 101: Getting Started]

So we want to invest in commodities, but going directly into the commodities market can be dangerous for green investors (us). How do we involve ourselves with commodities then? We invest in companies that deal with commodities for us. In the case above, we buy companies that deal in timber, or we buy homebuilders.

Seeking Alpha [has an excellent article] on some Timber REITs that could be good commodity plays. By researching companies, businesses, ETFs, and REITs that handle commodities, you can get exposure to the markets.


I own a farmland REIT called Gladstone Land Corp (GLAD), which exposes me to crops and land. You can see the picture above; the price of GLAD spiked along with inflation fears—bringing me to another point; commodities are cyclical.

[Can You Achieve Work-Life Balance 2]

Right now, commodities are in short supply and high demand—meaning prices are high. However, they have on-cycles and off-cycles, and knowing both can make you rich. I am buying and holding several companies that work in commodities, like Exxon Mobil (XOM), which deals in oil.

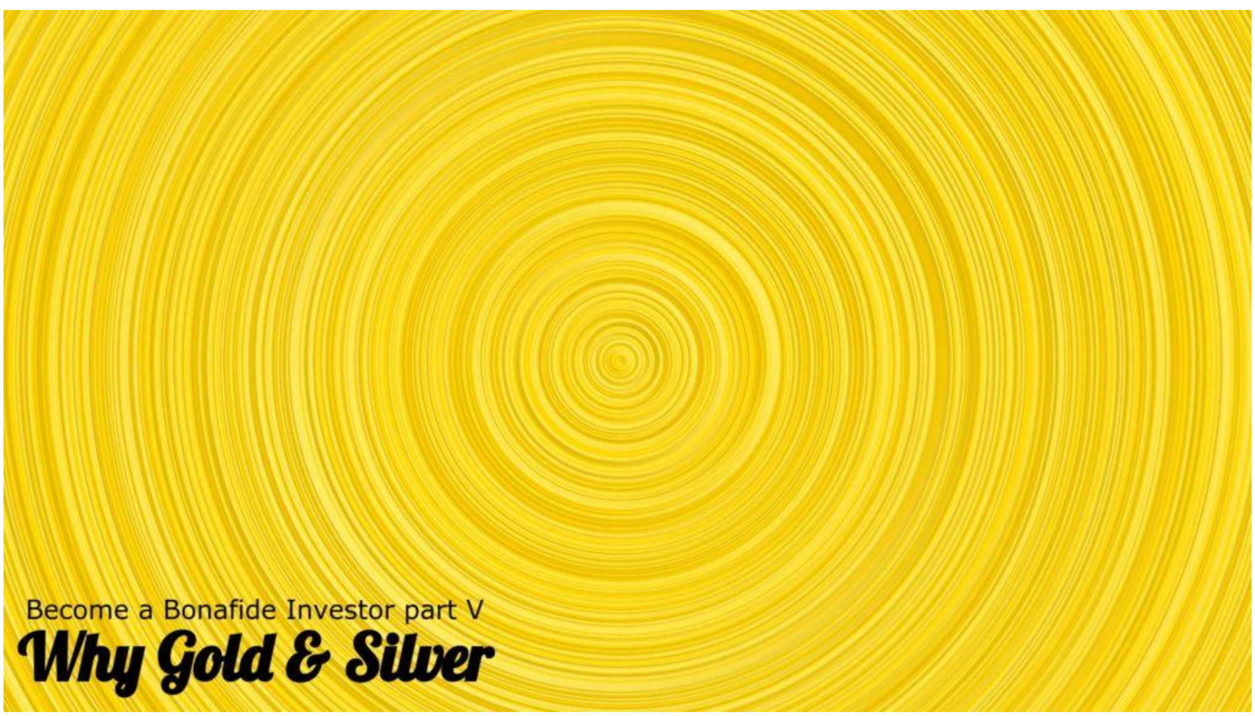
I will dollar-cost average into these positions for the long term, with no intention of making a quick commodities play. However, sometimes it can be good to take profits, and there is no better time than the top of a super-cycle.

There is so much to talk about with commodities, so this is just the beginning. There is nothing sexy about coffee and corn futures, but you can leverage these vehicles to your success if you speak the language.

Love Income? Try Closed-End Funds

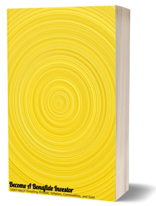
If you want to become a Bonafide investor, you need to speak the language of inflation, commodities, currencies, options, etc. I recommend reading the book "A Trader's First Book on Commodities." It is a long book, but it will give you valuable history and information on the complex world of commodities.

Remember, I invest in businesses that handle commodities. This shields me from dealing directly with the markets. The companies will also follow the path of the cycles, so be warned—they go up and they go down. Welcome to the beautiful world of commodities; I will have more to follow. Enjoy and Happy Investing.




## 33 Become a Bonafide Investor V: Why Gold & Silver

Everyone seems to talk about gold and silver in the investing world, but what's the big deal? Gold and silver don't pay dividends, aren't liquid enough, and cost money to store and protect. Why on Earth would we want to invest in these old-style investments?



## Become a Bonafide Investor

Gold and silver are great ways to diversify your investments, hedge against inflation and the US dollar, and prepare for the zombie apocalypse. There are also many ways to gain exposure to gold and silver, so deciding your goals is a must before jumping into the precious metal markets.

As always, I am being rude. Welcome to the Become a Bonafide Investor series (part I, part II, part III, and part IV), where we look at bigger picture market forces that affect our investing theses (plural for thesis—I learn something new every day). Okay, now back to gold and silver.

What is Your Rich Life 2?

The world has valued gold for an extremely long time—civilizations used it as currency in the earliest times. Here is one of the thousands of articles on the history of gold as a currency. I recommend everyone read about the history of gold because it is vital to our investing thesis. Bitcoin also shows some parallels to gold as a reserve currency.

One of the major events in the history of gold is when US President Richard Nixon took the US Dollar off of the gold standard. This move meant that the Federal Reserve could print money on a whim—and it has. This is where understanding the money supply via M1 and M2 comes in handy.

Basically, M1 and M2 show us how much physical money, and money in checking accounts, etc., is floating around in circulation. Having high M1 and M2 does not necessarily lead to inflation. However, we define inflation as too many dollars and too few products, goods, and services.

Currently, that is what is happening in the US, exactly. The money supply is high from over-printing, and the supply is weak. What goods are available are being bought at fast rates. When companies restock these products, they cost even more than earlier—Inflation.

Passive Income in DeFi 101

So why the dialog on inflation? **One of the main reasons to invest in gold (and silver) is to hedge against inflation**. There is not much above-ground gold in existence. They say all the gold can fit into three Olympic-sized pools (don't quote me). So as the Fed prints more money, the world uses more dollars to buy the same brick of gold. The price of gold rises.


Here is the 20-year chart for gold, courtesy of BullionVault. You can see it spikes during times of economic hardships and recessions. After our removal from the gold standard, when things get hard, we print more money. Gold will be great to have in these times. But should we hold gold and silver at all times? And how should we keep it, physically, on paper, or remotely?

I am an investor, so I hold silver at all times. I keep a safety deposit box at a local bank and insert coins on a regular period. I am not hunting for capital gains or to make a quick turnaround profit. Holding precious metals is an excellent way to diversify for the future.

[Annuities vs. Dividends](#)

There are five types of people who hold precious metals: **the investor, the trader, the doomsday dude, the collector, and the conspiracy theorist**. You just have to pick which one you are and go with your gut. I will have to explain the five in a separate article; I have too much to write today.

To be honest, my topic may have been too broad from the start. I'll break down how to invest in gold and silver in the following article in the series. For now, let's dig deeper into **hedging**.

Many people consider gold its own asset class, separate from real estate, business, commodities, and stocks. We like to diversify into these different asset classes because they should all react differently in critical moments in time.

Let's look at the pandemic in 2020. In March, all of the above classes went sour at the same time. Businesses closed, people were scared to show homes, oil had a price shock due to politics, and stocks fell into the crapper. But they all recovered differently.

Gold went up in price fast due to fears over excessive money printing. The housing market has a bull run, especially if you already own a house (or three). Gold has remained steady, businesses are rebounding as new companies pop up daily, and oil has made a comeback (saving my Exxon Mobil stock).

The idea of using gold as a hedge is sound in theory. When (not if) paper assets tumble, gold should remain steady or rise. Suppose you need cash, sell gold instead of selling your paper assets for a loss.

Blue Chip Stocks

Now, digging a little deeper, it may not work this cleanly. Gold and silver now have huge ETFs that buy precious metals by the tons. When stocks fall, these ETFs may fall as well, making the ETF managers sell their physical stocks. This may cause gold to have a price shock, along with paper assets. But, that is a topic for another day.

So, gold should be a hedge to paper assets, real estate, business, and commodities. How about protection against inflation? I genuinely believe in being a well-rounded investor, so gold is an excellent hedge against inflation as a total investor.

We know we can't hold cash as a hedge against inflation. We want to own real estate because we profit from the price of land, homes, and rents going up. Commodities also go up with inflation because of the demand for oil, goods, production, and services. Businesses can slow down during inflation because the cost to borrow money is higher. Stocks also slow down for the same reasons as businesses.

My First Book on Cryptocurrencies

Gold can serve as a cash substitute. As more money flows into the economy, our gold bars will increase in value. Again, I am using (unrealized) capital gains from gold to offset inflation—I am not selling my gold unless something is super-terrific or super-terrible.

Think of investing as an All-Wheel drive vehicle. The tires also have their separate suspensions. As we drive off-road, each tire works independently to keep our car stable and balanced. But, we need all four tires. Gold, real estate, business, paper assets, and commodities are the tires.

**Conclusion.** I know I went off the deep end on this one. I usually try to break it down as best I can. But gold has so many different meanings, theories, and stories. It is a fantastic asset, along with silver.

I will go into the ways to invest in gold and silver in the next episode of Become a Bonafide Investor. It is an honor and privilege to be able to write for you every day. I look forward to talking to you all and sharing my version of the world of money. Also, be on the lookout for my Become a Bonafide Real Estate Investor series as well. Thank you for reading!

**VERSUS SERIES**


## 34  Dividends vs. Royalties 2

I'm back for another installment of the Dividend vs. Royalties experiment. I did not re-read part one because I want to ensure the most up-to-date emotions I carry about these passive income sources.

### Dividends vs. Royalties

I have been having a great time watching my dividends and royalties grow over the last five months. Every day I think, *wow, what if I keep doing this for the next 15-20 years?* That is the power of compounding, also known as the 8th wonder of the world.

The compounding efforts react to dividends and royalties differently. For dividends, your money is buying more shares of the companies. Not only are the companies increasing their dividends and the share price rising, but you are buying more shares as well. It is a compelling path to wealth.

For royalties, your brand is compounding. Your knowledge of creative work is growing; you have more products available, bringing in more people to your brand. New people then want to go back and consume your older media as well. It is also a potent source of compounding.

But let's start from the top. **What are dividends, and what are royalties?** Dividends are a portion of a companies' profits that you are paid by owning stock in the company. Royalties are payments that you receive for someone consuming your media, usually artwork, photos, music, writings, or videos.

**How do you get started with dividends?** You have to research what dividend-paying stocks you want to buy and then buy them via a brokerage or stock market account for dividends.

**How do you get started with royalties?** For royalties, you will need to create a piece of work that sells to another person. These works can be YouTube videos, blogs, books, stock music, music videos, instrumentals, background photos, stock photos, etc.

**What is the main difference between dividends and royalties?** As someone who is building a portfolio of both, the main difference is the cost of starting either. Put simply, dividends cost money to start, and royalties cost talent. Let's take an in-depth look at both and decide which is better for you to begin your journey.

I started investing in dividends two years ago, and I can tell you that it takes a lot of money to get the effect you want. When I started with dividends, I would receive $1-2/month in dividend income. However, it was magical to see money actually adding to my account. Now, I am receiving $500/month in dividends, and it feels even better.

To get to this amount of $500/month, it takes over $150,000 in our dividend portfolio. Not only have we had massive gains in dividends, but the share price of the stocks appreciates as well. Wealth begets riches. This statement means money makes money, which makes you rich.

I started in royalties with no audience and no product. I have been writing a blog and publishing books for roughly five months now. The first month I received $3 in royalties income, and this current month, I am on pace to receive $30. It may not sound like much, but that 10X the payment in less than half a year.

When you create products that produce royalties, you are entering a larger world of income. You see, you will be building an audience, and with an audience comes power. I have not even come close to tapping the earning potential of my books and blogs.

Right now, I am in content production mode. I want to build the most extensive backlog of books that I can conceive. I am thinking of producing content for another two years, maybe three. Once I have all these books and blog posts, I can then make some real money.

Let's say that I have 500 books listed on Amazon, with about 5-10 as top sellers. From there, I can load up my top sellers with affiliate links. I can create an online course on becoming a successful author on Amazon, which I can then link to in my books or blog. I can turn my bestsellers into audiobooks for another stream of income. I can also translate my best works into other languages, each creating its own streams of income.

I read two books on creating multiple streams of income from your writings; "Create Income Streams" and "How to Make a Living from Your Writing." It is important to note that other sources of royalties have a similar branching path of income. For example, you can turn your YouTube videos into an online course or package them together into a compilation that you can sell as a Blu-Ray disc.

**Now for the question of the day, which is better, Dividends or Royalties?** My answer is, why choose when you can have both? I highly recommend creating both income streams for your personal growth and long-term financial success. Here are a couple of pictures from two of my dividend portfolios and my Amazon royalties account.

| Date | Activity | Summary | Value |
|---|---|---|---|
| May 13, 2021 | **Dividend** | SDIV Global X SuperDividend ETF | +$2.28 |
| May 13, 2021 | **Dividend** | AAPL Apple | +$0.82 |
| May 11, 2021 | **Dividend** | AGNC AGNC Investment Corp | +$2.42 |
| May 7, 2021 | **Dividend** | JNK SPDR Bloomberg Barclays High Yield Bond ETF | +$1.33 |
| May 7, 2021 | **Dividend** | PFF iShares Preferred and Income Securities ETF | +$1.40 |
| May 6, 2021 | **Dividend** | BLV Vanguard Long-Term Bond ETF | +$0.93 |
| May 3, 2021 | **Dividend** | CVS CVS Health Corp | +$2.98 |
| May 3, 2021 | **Dividend** | T AT&T | +$2.73 |
| Apr 30, 2021 | **Dividend** | SPY SPDR S&P 500 ETF Trust | +$0.55 |
| Apr 30, 2021 | **Dividend** | KBWD Invesco KBW High Dividend Yield Financial ETF | +$1.82 |
| Apr 30, 2021 | **Dividend** | QQQ Invesco QQQ Trust | +$0.20 |
| Apr 30, 2021 | **Dividend** | MO Altria Group Inc. | +$3.21 |
| Apr 29, 2021 | **Dividend** | DHS WisdomTree U.S. High Dividend Fund | +$0.72 |
| Apr 28, 2021 | **Dividend** | CSCO Cisco Systems, Inc. | +$1.30 |
| Apr 15, 2021 | **Dividend** | CINF Cincinnati Financial Corp. | +$0.79 |

| Date | Activity | Description | Amount |
|---|---|---|---|
| 05/13/2021 | Dividend | AAPL APPLE INC 051321 4 | $0.88 |
| 05/13/2021 | Dividend | DIV GLOBAL X FUNDS ETF SUPERDIVIDEND U S 051321 11.70000 | $1.04 |
| 05/13/2021 | Dividend | SDIV GLOBAL X ETF SUPERDIVIDEND 051321 140.79700 | $12.39 |
| 05/10/2021 | Dividend | UTZ UTZ BRANDS INC CLASS A 051021 3 | $0.15 |
| 05/07/2021 | Dividend | PFF ISHARES ETF PFD & INCOME SECS 050721 4.11400 | $0.64 |
| 05/07/2021 | Dividend | JNK SPDR SER TR ETF BLOOMBERG BARCLAYS HIGH YIELD BD ETF NEW 050721 4.15600 | $1.58 |
| 05/06/2021 | Dividend | BLV VANGUARD LONG TERM ETF BOND 050621 15.32000 | $3.74 |
| 05/03/2021 | Dividend | ARTFX ARTISAN PARTNERS FDS �* INC HIGH INCONM FD INV SHS 043021 236.72600 | $10.26 |
| 05/03/2021 | Dividend | NVG NUVEEN AMT FREE MUNI CREDIT INCOME FD 050321 17 | $1.15 |
| 05/03/2021 | Dividend | PCI PIMCO DYNAMIC CREDIT AND MORTGAGE INCOME FUND 050321 279 | $48.55 |
| 04/30/2021 | Dividend | UTF COHEN & STEERS INFRASTRUCTURE FUND INC 043021 2 | $0.31 |
| 04/30/2021 | Dividend | QQQ INVESCO QQQ TR ETF UNIT SER 1 043021 2 | $0.79 |
| 04/30/2021 | Dividend | SPHD INVESCO TR II ETF S&P 500 HIGH DIVIDEND LOW VOLATILITY 043021 5.16600 | $0.65 |
| 04/30/2021 | Dividend | PGX INVESCO TR II ETF PFD 043021 27.72200 | $1.70 |
| 04/30/2021 | Dividend | UTG REAVES UTILITY INCOME FD 043021 8 | $1.44 |
| 04/30/2021 | Dividend | SPY SPDR S&P 500 TRUST ETF 043021 2 | $2.56 |
| 04/30/2021 | Dividend | UBP.K URSTADT 5.875% PFD SER K PERP MTY PERP CALL 10/01/24 @ 25 CPN 5.875% FC 01/31/20 043021 4, CUSIP-917286874 | $1.47 |
| 04/29/2021 | Dividend | DHS WISDOMTREE HIGH DIV ETF FUND 042921 19.21300 | $3.36 |
| 04/15/2021 | Dividend | CSSEP CHICKEN SOUP 9.75% PFD FOR THE SOUL ENTMT INC RED SER A PERP MTY CPN 9.750% 041521 2, CUSIP-16842Q209 | $0.41 |
| 04/15/2021 | Dividend | CLNY.I COLONY CAP INC NEW PFD 7.125% PERP MTY SER I PERP | $5.34 |

| Sales Period | Marketplace | Payment Status | Date | Payment Method | Net Earnings | FX Rate | Payout Amount |
|---|---|---|---|---|---|---|---|
| Feb 01, 2021 - Feb 28, 2021 | Amazon.in | Paid | Apr 29, 2021 | EFT | INR 12.54 | 0.01 | USD 0.17 |
| Feb 01, 2021 - Feb 28, 2021 | Amazon.com.mx | Paid | Apr 29, 2021 | EFT | MXN 40.28 | 0.05 | USD 2.01 |
| Feb 01, 2021 - Feb 28, 2021 | Amazon.com | Paid | Apr 29, 2021 | EFT | USD 15.05 | N/A | USD 15.05 |
| Feb 01, 2021 - Feb 28, 2021 | Amazon.it | Paid | Apr 29, 2021 | EFT | EUR 1.05 | 1.20 | USD 1.26 |
| Feb 01, 2021 - Feb 28, 2021 | Amazon.co.uk | Paid | Apr 29, 2021 | EFT | GBP 3.90 | 1.38 | USD 5.40 |
| Jan 01, 2021 - Feb 28, 2021 | Amazon.ca | Paid | Apr 29, 2021 | EFT | CAD 0.11 | 0.82 | USD 0.09 |
| Feb 01, 2021 - Feb 28, 2021 | Amazon.de | Paid | Apr 29, 2021 | EFT | EUR 0.67 | 1.21 | USD 0.81 |
| Jan 01, 2021 - Jan 31, 2021 | Amazon.com | Paid | Mar 29, 2021 | EFT | USD 1.99 | N/A | USD 1.99 |
| Jan 01, 2021 - Jan 31, 2021 | Amazon.in | Paid | Mar 29, 2021 | EFT | INR 5.66 | 0.01 | USD 0.08 |
| Jan 01, 2021 - Jan 31, 2021 | Amazon.co.uk | Paid | Mar 29, 2021 | EFT | GBP 0.71 | 1.38 | USD 0.98 |

The first picture is from my M1 Finance account, and the second is from my Wells Fargo account. The final image is from my Amazon royalties account. Royalties have a 60-day delay before being paid.

Needless to say that all this cash is very sexy. Take a step back; when was the last time you made money outside of your W-2 job? Not many people can say that they can produce income outside of their jobs. No matter how much your dividends or royalties are, you will feel rich as they drop into account.

Now let's get started with dividends and royalties. I wrote two articles that can help you with your journey into both realms of income. For dividends, "How We Plan to Retire on Dividends" is your article. For Royalties, "Retire Rich, Retire Comfortable with a Business" is the article.

If you look at these articles, they will lead to a great starting point for both income streams. As the stock market ebbs and flows, it is nice to have a source of income completely removed from this volatility.

In the larger picture, producing cash flow from the five sources of passive income, retirement income, investments, cryptocurrencies, real estate, and business should be your overall goal. If you can align all these sources of income, you will have maximum diversity as you move into retirement. Each of these sources of income has its own volatility, and each has highs and lows at individual times.

**I will leave you with my final thoughts.** When I began my dividend portfolio, I didn't know how powerful the concept of your money paying you was. Now, after two years, my wife and I can plan to go dining with our dividends. When you start getting dividends that are $35-50, it is eye-opening.

When I first started my royalties portfolio, I had no idea how much I would learn along the way. The first artwork and book cover I created was like the work of a kindergartener. But, by continuing to work, learn, and read, I have gotten better. I plan to keep going. As I have increased my skill and my back catalog, my income has increased as well.

**For both Dividends and Royalties, I am here for the long haul.** When I write part three of the series in a year, I want to have dividends of $1000/month and royalties of $200/month. These are powerful ideas and concepts. These are the steps to financial freedom, so start creating your own path. Good Luck!


## 35  Inflation vs. Dividends

I'm sure you already feel the pinch at the checkout counter. That's right, inflation is among us, slowly eating away at our wallets and savings. I have previously written a couple of articles on how to check for inflation and prepare for inflation. Now we are going to use everything we know about our passive income streams to beat inflation.

In today's article, we are going to use our dividends to help us fight inflation. Let's recap how we build our dividend portfolio; as I wrote in the article "How the Rich Buy Their Bling," we will use our earned income to fund our dividend portfolio.

With the income from our jobs, we will pay our living expenses and retirement portfolios first; then, with the rest, we fund our dividend portfolio. We do not use remaining earned income as discretionary income...you've been lied to. For example, if we make $7,000/month in earned income, we have $3,000/month in expenses and $1,000 in a Roth IRA, then we invest the last $3,000 into our dividend portfolio.

Investing for Dividends 103: The Magic of Reinvesting

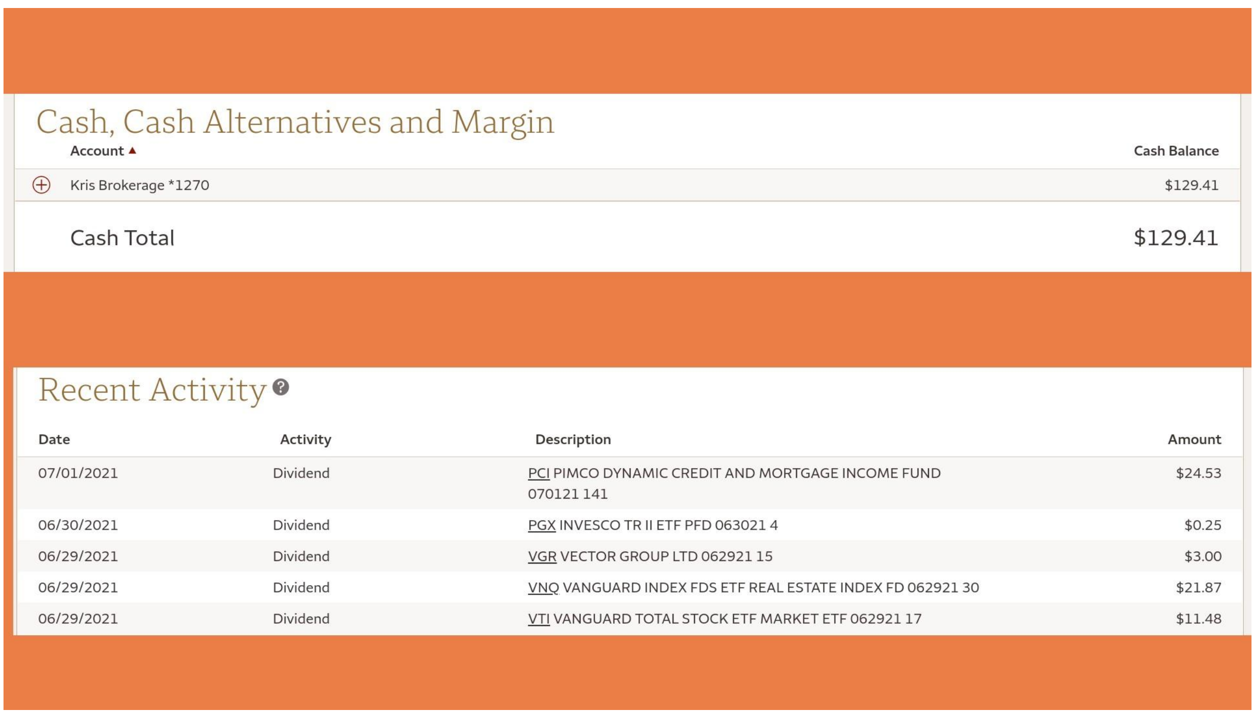
What comes out of the portfolio each month via dividends is our real discretionary income. For the most part, we want to reinvest our dividends to accelerate the compounding effect. However, we have a choice on how to take our dividends.

With inflation on the rise, it may be prudent to take some of our dividends to assist during these times of inflation. I didn't truly realize how significant having dividends coming was until a few days ago when I talked to my wife over the phone (I'm stationed in Japan).

We talked about random stuff, and she mentioned how she noticed the price of meat has gone up considerably. She usually likes to make BBQ over some weekends, and she said that her favorite cut of meat had almost doubled in price.

[Stock Market Investing 106: High Yield Alternative Investments](#)

As we talked, I checked into her dividend portfolio (I manage it from time to time because I find it infinitely more entertaining than she does). I realized that she has about $120 sitting in her Wells Fargo dividend portfolio cash balance. Money from the cash balance can be transferred out just like a checking account.



Cash, Cash Alternatives and Margin

| Account ▲ | Cash Balance |
|---|---|
| Kris Brokerage *1270 | $129.41 |
| Cash Total | $129.41 |

Recent Activity

| Date | Activity | Description | Amount |
|---|---|---|---|
| 07/01/2021 | Dividend | PCI PIMCO DYNAMIC CREDIT AND MORTGAGE INCOME FUND 070121 141 | $24.53 |
| 06/30/2021 | Dividend | PGX INVESCO TR II ETF PFD 063021 4 | $0.25 |
| 06/29/2021 | Dividend | VGR VECTOR GROUP LTD 062921 15 | $3.00 |
| 06/29/2021 | Dividend | VNQ VANGUARD INDEX FDS ETF REAL ESTATE INDEX FD 062921 30 | $21.87 |
| 06/29/2021 | Dividend | VTI VANGUARD TOTAL STOCK ETF MARKET ETF 062921 17 | $11.48 |

I asked her if she wanted to take some cash out, but she said she was fine, just leave it there for now. That $120 had accumulated over the last 4-5 weeks of dividend payments. You can see below how the dividends keep rolling in.

The best part is we can choose how we use our dividends. We are fortunate enough to both have excellent jobs and multiple income streams coming from many different asset classes, so we have many options.

For this month, I accumulated $350 in dividend payments across my five different brokerage accounts. I ended up reinvesting all of these, but I kept them in my cash balance to see how inflation would affect me through the month. As things remained normal, I invested the cashback in making more cash next time.

4 Steps to Become Rich

**Which dividend-paying securities can beat inflation?** How you choose to beat inflation is entirely up to you.

**Pure Growth.** You can beat inflation by investing in a growth stock that will increase in price over time. Growth stocks are not known to grow exceptionally well during inflationary periods—be careful. A couple of senior growth stocks are Google (GOOG) and Facebook (FB). You will see your money (hopefully) growing faster than inflation via capital gains.

**Heavy Growth/Light Dividend.** You can beat inflation with an old-growth stock that also pays a very light (0.5%-1.5%) dividend. These little dividends grow over time as the company matures. You should see capital gains and dividend growth over time. These are perfect stocks to reinvest dividends old-growth to maximize compounding. Stocks like this are Microsoft (MFST) and Visa (V).

**Medium Growth/Medium Dividend.** Most of these stocks are the “blue chip” companies increasing and paying dividends over many, many years. The dividend yield is usually about 2-3%, and the company still grows over time. These are other companies that reinvest dividends. These companies include Lowes (LOW), Home Depot (HD), McDonald’s (MCD), and Johnson & Johnson (JNJ).

Investing Insider vs. Outsider

**Light or No Growth/Heavy Dividend.** These companies have been around for a while and usually have a lot of debt. They have to acquire companies or assets to remain competitive. You can reinvest dividends or take dividends to reinvest into faster-growing companies. Some companies that come to mind are AT&T (T) and Verizon (VZ).

**Bond Funds.** Bonds are an excellent way to stay consistent with inflation. My bond funds yield 3%, but I could get them at a discount during a sell-off—thus increasing my yield. I may break even with inflation; however, bonds are safer than other securities. You pay for safety. I also have high yield junk bonds as well, that yield 5%. These funds are Long-Term Bonds (BLV) and High-Yield Bonds (JNK). I would take cash from these first.

| Date | Activity | Description | Amount |
|---|---|---|---|
| 07/01/2021 | Dividend | NVG NUVEEN AMT FREE MUNI CREDIT INCOME FD 070121 171 | $11.54 |
| 07/01/2021 | Dividend | PDO PIMCO DYNAMIC INCOME OPPORTUNITIES FD 070121 2 | $0.24 |
| 07/01/2021 | Dividend | PCI PIMCO DYNAMIC CREDIT AND MORTGAGE INCOME FUND 070121 292 | $50.81 |

**High-Yield Securities.** Lastly, we have high-yield securities. The main reason to buy high-yield products is for current cash, perfect for times like these. These products yield anywhere from 7-10% and give you consistent money for daily use. On the 1st of the month, I have $60 coming in from a couple of Closed-End funds. I look forward to these more than my big military paychecks. My favorite closed-end funds are Pimco Dynamic Fund (PCI) and Nuveen Municipal Bond Fund (NVG, and it is tax-free).

**Defeat inflation.** Now you have to defeat inflation. Hopefully, you have kept a tight budget of your spending habits. As you notice products increasing, decide if there are alternatives. We still have to exercise some judgment.

Cash Flow 105: Diversify Your Passive Income

Dividends and stocks, in general, are a great way to hedge against inflation. If you are taking your time and buying stocks at suitable times, you should be getting good capital appreciation and large dividend yields. You make your profit when you buy, not when you sell.

However, having the extra assistance of dividends can help you through what will be a rough time. As inflation sets in, do not lower your investing habits to beat it. You must keep your investing consistent and try to reduce expenses elsewhere.

Capital Gains vs. Dividends

It may be challenging, but getting an excellent portfolio of dividends is the goal. My wife and I are up to nearly $500/month in dividends and other passive income sources that I will cover later. This money gives us a warm blanket and is like having a partner that is just giving us cash profits.

Take the time to reflect on where you are in your dividend journey. I will always sing the praises of the magic of dividends because they have changed my life. They have also changed my wife's as well. You can get started with dividends with this article and book "How We Plan to Retire on Dividends (book)."

Being without money stress had allowed us to rekindle the pure love we had when we met in 2006. Back then, we had no kids, houses, career stress, etc. We were kids playing adult. Now we adults play like kids. We have the money to enjoy ourselves and each other. But we aren't done yet. We continue on the grind to build up this income to the heavens.

Join us on our journey and as you continue yours. I just completed my most comprehensive book called "The Biggest Book on Passive Income Ever! (book)" The table of contents is 20 pages, and it is 1,250 pages long. It is everything I learned about a passive income on our journey to almost a $200,000 dividend portfolio. Plus three houses, a budding book career, and a military pension. Passive Income is our calling, how about you? Good luck!


## 36 Annuities vs. Dividends

As we steam towards retirement, we will start to hear new words that gain more traction as we age. **Annuities** are definitely an older person thing, but it is valuable to explore their importance to an overall [cash flow retirement](#) system. We also want to compare them to what a dividend portfolio can provide for us.

### [Annuities vs. Dividends](#)

An annuity is an insurance contract issued to create a consistent monthly payment to the holder for the rest of their life. You can read a more detailed analysis of annuities here [at Investopedia](#).

## What Is an Annuity?

Annuities are contracts issued and distributed (or sold) by financial institutions where the funds are invested with the goal of paying out a fixed income stream later on. They are mainly used for retirement purposes and help individuals address the risk of outliving their savings. Upon annuitization, the holding institution will issue a stream of payments at a later point in time.

How would an annuity function in a real scenario? Say at age 60; you had $500,000 in your 401K savings account. You haven't been tracking the stock market, and you wanted to ensure this money lasts you until the end.

How We Built 13 Streams of Income

You would go to an insurance company and give them a lump sum of your cash, say $200,000, and they would guarantee you a payment for the rest of your life. The payment has many factors that go into it, and I highly recommend you read the article above for more details.

One of the things annuities are infamous for is being extremely confusing and complex. The value of the annuity can be tied by the stock market, how long you live, if you want your spouse to continue receiving benefits, etc. Purchasing an annuity is a big deal, and the devil is in the details. I usually read as much as I can about annuities on the Kiplinger Retirement website.

But we need to make an assumption to continue the planning process, so let's say our $200,000 annuity will give us $8,000/year or $667/month. I simply based this amount off of the 4% rule. You would receive $667/month for the rest of your life and perhaps a small cost of living adjustment from time to time. Actually, that's not too bad—but can dividends do better?

Build the Mindset of an Investor

**I interrupt this article to have a deep, lifetime discussion**. We need to talk about the type of person who invests in annuities versus that who invests in dividends. The annuity person has been working hard their entire life, saving their money in a Roth IRA, more likely, an 401K.

In a 401K, their employer and they have been saving a percentage of their earned income directly into the savings account. They pick the target date fund closest to their retirement year and keep investing.
In a Roth IRA, there is a high probability that they invest in index funds. Index funds are great, and even I have my favorite ones, but they don't pay a lot of income via dividends.

The reason I bring this interruption up is to convey that the average annuity investor doesn't know much about the stock market, dividends, inflation hedges, bonds, or high-income products. More than likely, they will want to turn their money over to a manager to handle their income.

Start Investing or Pay Off Debt

*Ladies and Gentlemen, there is nothing wrong with remaining oblivious to the world of finance and the stock market. However, in the long run, you will pay the price. If you still have some time left before retirement, I highly recommend you start learning to handle your money yourself. It may take some time, but you will build more confidence, save more money, and leave more cash to your family. The article "How We Plan to Retire on Dividends (book)" is an excellent place to start.*

*One more caveat before I continue the comparison, I believe in a total cash flow retirement system that encompasses real estate, business, cryptocurrencies, dividends, and retirement planning. So if I had $500,000, I would diversify this into multiple assets classes and create income-generating investments that would easily last me a lifetime.*

*For example, I would:*

a) *buy a home in a small town ($140,000),*
b) *put a portion into high-yield stock market products to get a yield of 9% ($100,000),*
c) *put some in growth products like index funds ($60,000),*
d) *put some into business ideas like a dog park, an insect business, or rental car business ($100,000),*
e) *Save into bond products ($50,000),*
f) *and the remaining in cash ($50,000)*
g) *I would also ensure I could rent rooms in my new home—if you are new to Military Family Investing, these are things I talk about every day.*

Now, back to our comparison between what an annuity can provide versus what you can earn via dividends. We concluded that our $200,000 annuity would give us $8,000/year or $6677/month in income. This income is almost guaranteed, barring the insurance company doesn't go out of business. There are no guarantees on the stock market.

Dividends vs. Royalties

Variety is the name of the game when it comes to dividends. You have as many choices as there are stars in the sky. Let's start with the high-income approach. Our total portfolio was $500,000. We are using $200,000 to produce a liveable income. If we remain relatively safe with our remaining $300,000, say cash or government treasuries, we can take some risk with the additional $200,000.

Let's put our $200,000 across four closed-end funds and generate a 10% dividend yield across the board. We will want to average into these positions over a year or maybe even two years.

You want to buy high-yield products when they are at their lowest prices—offering their highest yields.

At a 10% dividend yield, our $200,000 investment would produce us $20,000/year or $1,667/month—almost three times as much as our annuity. But, it is riskier—or is it? If you have your $300,000 in safe investments, you would not have to cash out of your closed-end funds during a downturn. You could buy more closed-end funds during the downturn. It is a mindset that you will
have to build.

Boring Investing vs. Good Investing

Okay, now what if you created a dividend growth investment with your $200,000. The goal of the portfolio would be to generate 5% growth and a 5% dividend yield. Remember, your annuity is not growing anymore; you are just receiving a payment.

If we build a solid portfolio of index funds, blue-chips stocks, REITs, preferreds, and closed-end funds, we could achieve the goals of five and five. There would be two forms of growth in this portfolio, your overall capital gains and the dividend growth for each company and security.

Let’s look at our capital gains over twenty years (so from age 60 to 80). Using our compound interest calculator, our 5% in capital gains would leave us with $530,000. Excellent, we have actually more than doubled our investments.

If we start with a 5% dividend yield, our portfolio will generate $10,000/year or $833/month. So, a little more than our annuity. However, with our companies and funds growing their dividends, we would be receiving higher payments every year. Using our simple dividend growth calculator, you can see how impressive the numbers are. By age 80, without reinvesting your dividends, you would be receiving $18,000/year or $1,500/month. That is, with a dividend growth rate of 3%, which is highly realistic. I will leave the chart at the end of the article because it is simply amazing.

Good Debt vs. Bad Debt

**Conclusion.** You can see that dividends will simply destroy an annuity over time. However, (**with dramatic pause**), you would have to jump in and start learning. You would need to take 1-2 hours a day to get familiar with stocks, blue chips, REITs, preferred shares, closed-end funds, business development companies, and electronic traded funds.

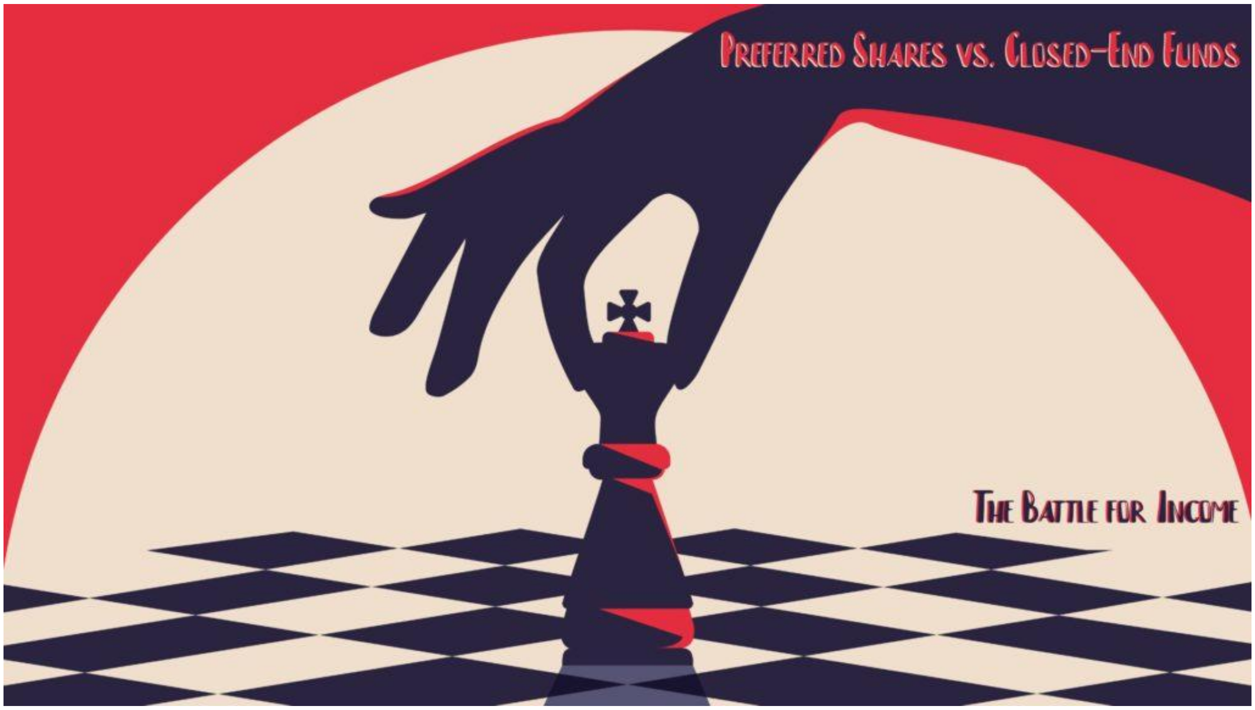
But, you would be retired; what better things do you have to do than grow your wealth? I am a hardcore dividend investor, and I have seen the magic of dividends. My wife and I have raised our dividend growth portfolio to almost $200,000 in two years and a monthly payout of $500/month.

And we are 40 years old. With our dividend growth calculator, the numbers are insane, even if we stopped today and just let everything compound. As I said earlier, we are total investors and believe in a cash flow retirement system. We have rents, royalties, and dividends keeping us warm at night and a military pension for backup. It's a great life.

If all this sounds good, jump into Military Family Investing, where I publish an article every day and release some form of a book each week. Follow our Facebook page to see the daily release and find our magazine "Financial Independence Magazine" on Kindle. Look at our free book schedule to know when the magazine will be up for free.

Life is better when you take control of your finances. The best time to take control was ten years ago, and the second-best time is today. Good Luck and Happy Investing.

| Age | Dividends Paid Without Dividend Reinvestment | Dividends Paid With Dividend Reinvestment |
|---|---|---|
| 60 | $10,000 | $10,000 |
| 61 | $10,300 | $10,800 |
| 62 | $10,609 | $11,664 |
| 63 | $10,927 | $12,597 |
| 64 | $11,255 | $13,605 |
| 65 | $11,593 | $14,693 |
| 66 | $11,941 | $15,869 |
| 67 | $12,299 | $17,138 |
| 68 | $12,668 | $18,509 |
| 69 | $13,048 | $19,990 |
| 70 | $13,439 | $21,589 |
| 71 | $13,842 | $23,316 |
| 72 | $14,258 | $25,182 |
| 73 | $14,685 | $27,196 |
| 74 | $15,126 | $29,372 |
| 75 | $15,580 | $31,722 |
| 76 | $16,047 | $34,259 |
| 77 | $16,528 | $37,000 |
| 78 | $17,024 | $39,960 |
| 79 | $17,535 | $43,157 |
| 80 | $18,061 | $46,610 |




## 37  Preferred Shares vs. Closed-End Funds

Man do I love dividend growth investing. Buying blue-chip companies, receiving dividends, reinvesting the income, and let the compounding effect happen over time. I love buying companies like Coca-Cola (KO), Pepsi (PEP), Walmart (WMT, and Target (TGT).

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Even better is buying growth companies that pay small dividends like Costco (COST) and Microsoft (MFST). Their small dividend yields (0.7%) will grow over the years. All I have to do is keep investing and reinvesting.

However, investing for income is completely different than dividend growth investing. Investing for income is all about getting paid—immediate income. I turn to my high-yield instruments for my income needs; instruments like REITs, Preferred Shares, Closed-End Funds, and Dividend ETFs.

Stock Market Investing 106: Pick Your Platform

Today, I want to compare two of my favorite high-yield security types: Preferred Shares and Closed-End Funds. Both of these securities are all about finding ways to get the highest yields versus the current stock market. Let's do a quick refresher about each type before we continue.

**Preferred Shares.** Preferred Shares are higher on the equity structure than common stock. Most preferred shares start with a value of $25 and trade on the open stock market, similar to common stocks. The company can buy back (or call) the stock after a certain timeframe, usually a few years.

When the company calls the stock, they pay shareholders the face value of the preferred shares. Thus the idea is to buy preferred shares at less than par value, hold them for the dividends, and then get par value upon redemption. Please read my series on preferred shares here.

**Closed-End Funds.** Closed-End Funds are mutual funds that have a set amount of outstanding shares. Open End mutual funds (normal) and ETFs adjust the number of shares as buyers buy and sell them on the open stock market.

Because closed-end funds have a fixed amount of shares, they can determine their Net Asset Value or NAV. The NAV is the value of all the investments inside of the closed-end fund. Based on the quality of the fund and managers, the fund can trade at a premium or discount to NAV.

Investing for Dividends 101: Dividends to the Rescue

A good way to describe NAV is to compare it to new video game consoles. When the new Playstation 5 arrives, it has a Manufacturer's Suggested Retail Price (MRSP) of $500. However, you will probably pay $700-800 on the open market due to shortages and increased demand.

Therefore, an investing strategy in CEFs is to buy when they are at a discount to NAV; that, way we can participate in higher yields and capital appreciation. Read my article on closed-end funds here.

**Time to battle.** Both types of securities can give us large amounts of income if we know what we are looking for when investing. Blindly buying either can lower yields and prevent us from maximizing capital gains. So, let's start with how to research each of our security types.

**Research.** Closed-End Funds and Preferred Shares are more difficult to research than standard common stocks of companies like Procter & Gamble (PG) and AT&T (T).

5 Benefits of Options Trading

You will want to know if the CEF usually trades at a discount or premium to NAV for closed-end funds. You will want to look back since its inception. The good thing about CEFs is that a fund manager can control multiple funds. For example, PIMCO is my favorite fund manager. Since I trust PIMCO, I can buy into their various funds, leveraging my overall knowledge of their management expertise.

Preferred Shares are different because they come from a company. More than likely, you will not know the company. Sometimes, you find preferred shares from banks and REITs that you know, but the highest yields are from businesses you probably don't know.

To research a preferred share, you have to look into the company. First, I like to see if they pay a dividend on the common stock; that is a good indicator. Next, I try to get an understanding of the company. This research can take longer than a CEF because CEF managers do all the research for you. You only need to trust the manager. **Winner: CEFs.**

**Capital Gains.** I do not invest in capital gains; however, we have a baseline to audit their value because of preferred shares' par value and CEFs' net asset value. By following the preferred and CEFs closely, we buy at deep discounts during market turmoil.

Preferreds have the upper hand in getting discounts. The hardest part of getting good deals in preferreds is finding the preferreds in the first place. Once you find them, either buy one share or add them to a watchlist. Then you can just wait until they go on sale.

Military Success 105: Financial Fitness

I bought preferred shares at $13 with a par value of $25. The yield at the time was 17%. The price has recovered to $25, and I am still yielding roughly 13% after buying more shares. You can find fantastic deals in the world of preferred shares.

CEFs can also sell at a discount, but usually when the entire market collapses. You will have to be ready. Late last year, I was able to buy PIMCO dynamic fund (PCI) at a nice discount to NAV. **Winner: Preferred shares**.

**Income generation.** Both securities produce excellent results; however, many CEFs pay monthly. As I mentioned in Living Overseas Passively 101, if I needed a certain amount to pay expenses abroad, I would have my CEFs pay me that income.

Remember, the company can call the preferred at any time after the call date. You don't want to depend on this income and then have it taken from you randomly. Some CEFs offer the ability to set up dividend reinvestment. Some PIMCO funds provide a slight discount when you buy shares via dividend reinvestment. You can experience the effect of compounding with CEFs.

Cash Flow 105: Diversify Your Passive Income

Preferred shares are more like one-off investments. There is no guarantee you will be able to find similar preferreds once someone calls your investments. The best way to employ preferred shares is by purchasing them at steep discounts to par. As they get closer to their call date, they should naturally gravitate to par value.

CEFs allow you to make monthly contributions to your income pool. I can safely buy 15 shares of PCI monthly, for example. Preferred shares are not so accessible. You will need to research each month because prices can vary wildly.

**Value.** These securities extract value differently from each other. The value in closed-end funds is buying into high-yield vehicles safely. The value in preferred shares is finding diamonds in the rough at steep discounts.

With CEFs, you can find 2-3 CEFs that meet your needs and ride those until retirement. Once you have what you are looking for, there isn't much need to keep searching. It is always nice to have a wishlist for market corrections, but you can just sit back and enjoy beyond that.

Preferred shares take more work to find those quality shares at steep discounts. However, you can find yields of 15-20% plus capital appreciation if the shares recover—this is how you unlock value in preferred shares.

Retire Early as a Well-Rounded Millionaire

If I am looking towards retirement, CEFs hold the most value because of high, consistent dividend income. Preferred shares carry more weight when I am looking to maximize my revenue. **For value, I have to give the advantage to CEFs.**

**Conclusion.** There is a lot to like about both preferred shares and closed-end funds. Overall, I **give the advantage to CEFs** because you can buy them come rain or shine. Even when the market is near an all-time high, CEFs still hold value. Yes, you won't get extreme yields, but safe, consistent income is always worth buying.

Investors are looking for yield with treasury bond rates at all-time lows and interest rates at zero. Would you rather pay $26 for a $25 preferred share or pay a 10% premium of your closed-end funds.

The Magic of Dividends

With your preferred shares, you will lose money when the company calls them. Your CEFs give you the ability to dollar-cost-average your cost basis down over time. As an income investor, I know PIMCO and other managers. I trust the work they do, and they perform portfolio changes dynamically.

With preferred shares, I have to depend on that one company for my income. If I had $1,000, I would instead invest it into CEFs than preferreds, if I am completely honest. However, you can form your thesis over time.

I love both my CEF portfolio and my Preferred Shares portfolio. I love my CEFs more because I can invest in the manager, not the company. In the end, we all want to sleep at night, with our investments making us money. Enjoy and Happy Investing.


## 38 Dividend Growth Investing vs. Income Investing

Fall is a beautiful time of the year. The weather turns cool, the leaves turn orange, and we get to enjoy our income streams during Christmas shopping. We all have passive income streams, correct?


[Dividend Growth Investing vs. Income Investing]

Building a stream of passive income, whether from royalties, dividends, rents, or business, is a great way to supplement your earned income. One day, if we take it seriously, we may be able to even retire off of these sources of revenue.

I think most people consider dividends as their favorite source of passive income—and who could blame them? Dividends are the most passive of all income streams, but they still take some knowledge to maintain.

**How to FALL into Investing**

Inside the world of dividends, there are many techniques and philosophies. You will need to decide which one(s) you choose to follow. Two of the primary schools of thought are Dividend Growth Investing (DGI) and Income Investing.

They both lead to the investor having a stream of income during retirement; however, the mindsets are almost entirely different. Understanding the path that best suits you is the first step on your journey, so let's jump right into the battle.

First, let me say that you can mix and match anything and everything you want; I do. I love both of these methods, so I use them both, along with some index fund investing as well. Only you can create the perfect portfolio that meets your needs. However, it is good to know multiple techniques because your priorities can change on a whim.

**Dividend Growth Investing** is the art of investing in large dividend-paying blue-chip companies for the long run. Investors use dollar-cost-averaging, share price appreciation, dividend reinvestment, and dividend growth to build their wealth and income. When you turn off dividend reinvestment, your portfolio will produce a nice stream of income.

**Income Investing** is the art of investing in high-yield products for immediate income. You invest in products that give you a high income today and reinvest excess cash flow to make your portfolio grow more revenue. The best way to get capital appreciation is to buy these products at a discount.

**We Make $650/Month in Passive Income**

**Compound Annual Growth Rate (CAGR)** is a word that gets thrown around a lot, especially in the DGI community. CAGR is the total growth of a stock or company. Understanding the CAGR of a company is one of the main differences between DGI and Income investing.

For example, let's take the hypothetical company XYZ. You invest $10,000 in 2010 and finish 2020 with $40,000 after reinvesting all dividends. Using our CAGR calculator, our CAGR is 14.87%.

When DGI investors choose stocks, they may look at the CAGR for the last 10 to 20 years and attempt to predict a CAGR path towards the future. They factor in the dividend yield, share price appreciation, and dividend growth into their investment thesis.

McDonald's (MCD), one of my favorite blue-chip stocks, may only have a dividend yield of 2.5% but may have a CAGR of 15% (random number). Since, as a DGI'er, I am investing for the long term, this 15% may fit my investing needs.

**10,000 Hours to Build an Income Stream**

As an income investor, I am screening for a completely different investment thesis. I am looking at the yield and the stability of the company. As you may know, Pimco closed-end funds are my favorite income source. I trust PIMCO will give me high immediate income through PCI, PTY, and PDO funds.

Buying PIMCO products is always in favor, but I double down when their value takes a hit on the marketplace. The bigger the discount, the higher the yield. I usually have dividend reinvestment off for my income portfolio. I can use this income today, and when I have excess, I reinvest into products that are on discount.

**An example of $20,000**. As investors, we need to know where we are going to create the appropriate road map and investing thesis. I have written many articles on retirement (it's what I do), but here are some I wrote that are age-based.

The Planning for Retirement series includes your 20s, 30s, 40s, 50s, 60s, and 70s. I also have the Retirement Planning for the Average Person 1 + 2. You also want to look at how your dividends fit into your overall happy cash flow retirement. Having a total concept of your income and life goals is the key to investing success. Orange you glad you have passive income?

If I gave a DGI'er and an income investor $20,000, they both would invest it differently. Let's provide them with a time horizon of 30 years and see how they allocate these funds.

**Living Overseas on Dividend Income**

**DGI investor.** The DGI investor has a military pension, owns a small ATM business, and has three rental properties. He wants to ensure his $20,000 grows over the next 30 years and give him income during retirement. He can invest $500/month into his DGI portfolio over 30 years.

The DGI investor splits his investment into four companies; McDonald's (MCD), Johnson & Johnson (JNJ), Costco (COST), and Ally Bank (ALLY). Over 30 years, his portfolio grew at 8%, and he finished with $880,000.

More importantly, when he turns off dividend reinvestment, he sees $44,000/year of income from the portfolio. He gets this income because of dividend growth over the years. This income fits into his overall portfolio nicely.

**Income Investor.** Our income investor has a high-paying job and aggressively invests in her 401K, Roth IRA, and brokerage account. She also has a blog on that side that she expects to generate income for her lifetime.

**Don't Gamble Your Retirement Away 4**

Since she invests most of her money into her future, she wants immediate income from her $20,000. She decided to split her portfolio in five ways; Pimco Income Fund (PCI), AGNC mREIT (AGNC), Altria (MO), Ares Capital (ARCC), and Owl Rock (ORCC).

This portfolio produces an 8% dividend yield, which is about $133/month. She spends about $100/month as her monthly dining allowance, and she reinvests $33/month for 30 years. At the end of her years, she has $246,000, and her portfolio produces $24,600/year (or $2,050/month).

The difference is that she spent $36,000 on her entertainment over those 30 years. This gave her more freedom because she was investing all of her other income. As I said, everyone has different investing goals. She still ended up with a nice chunk of change and a high income portfolio.

**Combining the two.** I make it known that I merge both methods. I love them both; however, my brain lends more to income investing. DGI is more of a hands-off approach to investing. I have one of my DGI portfolios through STASH.

How to Start Dividend Investing 104: Choosing Your Stocks

I set my STASH to invest $120/week into my DGI stocks automatically. In one year, my dividend income went from $11/month to $41/month. Again, in the long term, these numbers will start to become ridiculous.

My first income portfolio is through Wells Fargo. I reinvest some dividends, but I also take some cash. I leave the money in my brokerage account and choose my investments based on the flavor of the week. In one year, my dividend income went from $43/month to $138/month.

**Why do I use both?** I use both methods because it gives me choices in life. My DGI portfolio is my long-term success story, so I do not need to dip into these dividends, probably ever. However, an excellent DGI portfolio would do my kids wonders in life.

My income portfolio is nice to have in today's world. I don't need the income, but sometimes it's nice to go to restaurants guilt-free. I am currently working overseas and get to come home on leave every once and a while.

**Why Gold & Silver**

When I came home for two months recently, my wife and I went to Sushi five times just on dividend income. As I wrote in "A $1,000 Dividend Spending Spree," the point of dividends is to have guilt-free income. And it feels great to have a large amount of dividend income. We hit $550/month in total dividends last month.

I love being able to take immediate income as required. If I want to buy a video game, I don't want to feel guilty about it—I just want my PIMCO closed-end fund to pay for the game? Is that too much to ask?

**Find your balance.** The final choice is up to you. Where are you heading? How much money will you need in retirement? Where will you be living? These are all questions you need to ask yourself first.

Then you can ask yourself if you love investing in blue-chip stocks like Apple (APPL), Microsoft (MFST), Procter & Gamble (PG), and Target (TGT). You may like investing in REITs, CEFs, BDCs, and dividend ETFs. I love them all and invest in them all. That's just me, though.

The main questions you need to ask yourself are when do I need this income, and how do I want it served? A DGI portfolio takes years to get moving, and reinvesting income is a massive part of the process. An income portfolio is almost like creating a paycheck.

**Let Dividends be Your Lighthouse During Retirement**

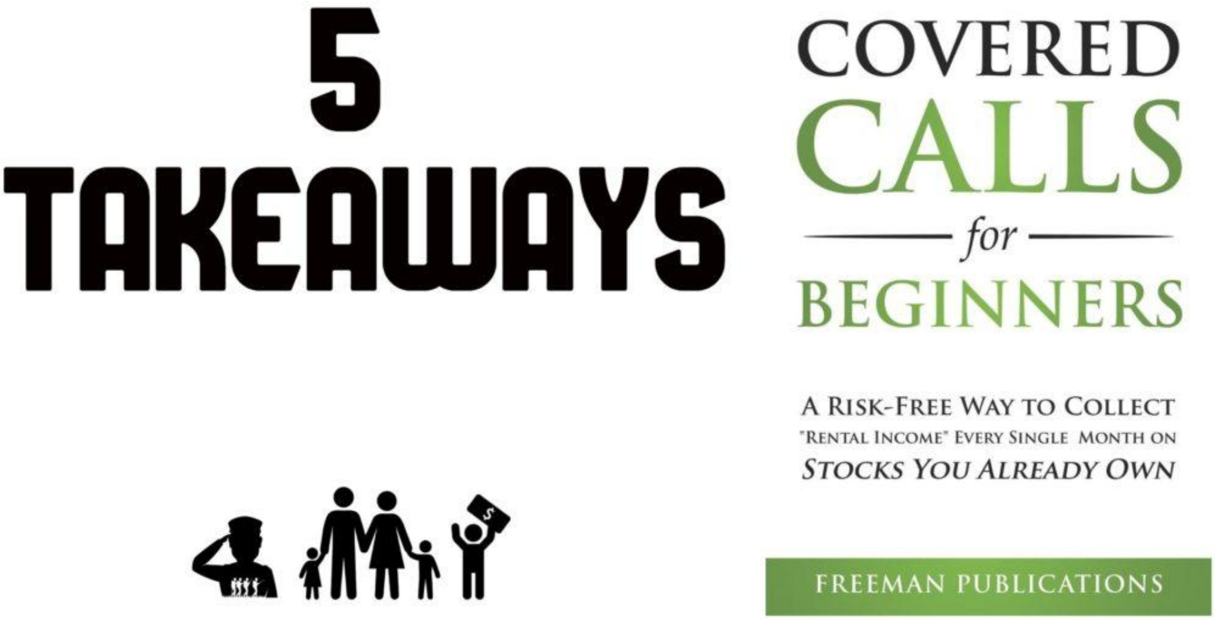
The best way to test the waters is with M1 Finance pies. I have a pie for DGI and another for income investing. I can put a lump sum into each, and M1 will allocate the money across the various securities in my pies.

Today's world is great for investing. There are no fees for buying shares, and you can purchase fractional shares on a recurring, automatic basis. There are no excuses for getting out there and building your dream portfolio.

**Conclusion.** Hopefully, you learned something today. Before you start, it is vital to know where you are going. Please go ahead and download my free books on Dividend Growth Investing and Income Investing. They will give you more insight into which method is best for you. As a quick note, you can also sell covered calls (options) with your DGI portfolio to generate more income.

Don't forget that you can mix and match your heart's content. You can do whatever you want, as long as it meets YOUR goals. For more investing articles and more, follow me on Twitter and also on my Facebook Page. Enjoy and Happy Investing.

## INVESTING BOOK TAKEAWAYS




## 39 “Covered Calls for Beginners”

“Covered Calls for Beginners” by Freeman Productions is what I needed for my mind to comprehend options, exactly. I read a massive book on options about four months ago, but I was still confused.

This book focuses on just one simple strategy for trading options—covered calls. Covered calls are a Tier 1 (I’ll explain tiers later) options strategy, meaning even a beginner can employ these techniques. Since I am a beginner, this book is right up my alley.

The “covered” in covered calls means that you already own the 100 shares of the stock in question. Each option is a group of one hundred of the same stock. With more complex options, you can write them without owning the underlying stocks.

If the option gets assigned, you would have to buy the stocks to transfer to the option owner. Anyways, writing a covered call means that you own 100 shares, and if someone exercises your option, you can transfer the shares immediately.

In a nutshell, you will be the seller of the option to a counterparty. You are betting that the stock will not gain in value to the strike price of the option. **You WANT to keep your 100 shares, as well as the premium the counterparty pays you**. I’ll go more into the setup in a separate article, but I’ll give a quick example and then get into my five takeaways.

Let’s say I have 100 shares of AT&T. The current price of AT&T is $30, so I write a covered call to a counterparty with a strike price of $32. The premium I receive is $0.20—so multiply that by

100, and I have $20 total premiums that I receive. If the price never reaches $32, I keep the $20 and do the same thing next month. That's the simplified version, but you get the jest.

I Bought a Kindle Oasis

1) My favorite takeaway is the term "**Synthetic Dividend.**" I love this word, and it makes the book 100% worth the read just to use it for the next 30-40 years I have left writing articles.

2) A synthetic dividend is a forced dividend from using options. In the above example, I forced a $0.20/share dividend on my AT&T stock. Using covered calls can allow you to force dividends, even when the stock is trading sideways.

3) Don't get greedy if you are an investor. The goal is to keep your "long" stock position (my 100 AT&T shares) while keeping the premium.

4) You can make more money by picking a strike price closer to being **In The Money** (say, $30.50 from the above example), but you risk having to sell your 100 AT&T shares.

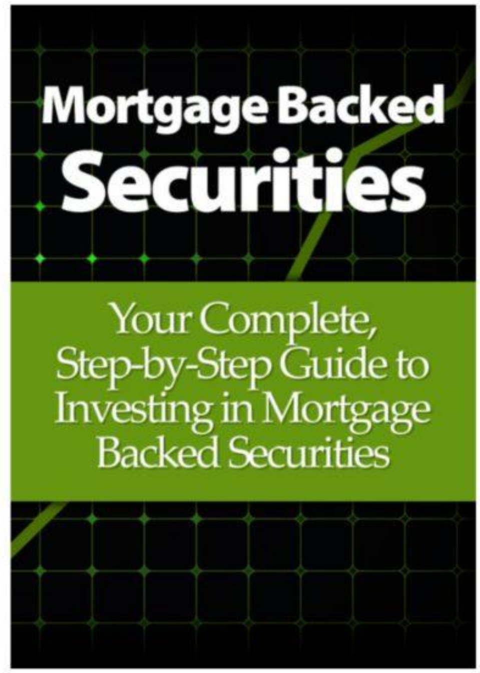
5) Even if you have to sell and transfer your shares, you still walk away with the premium and capital gains from the 100 shares. So, it is a win-win. You only lose your long position, which may have been building good capital appreciation.

You will want to run covered calls once you have 400-500 shares in a long position. I have a few long positions over 100 shares; however, I spread them across multiple brokerage accounts. I think I can start writing covered calls roughly a year from now.

I am excited that they have these in-depth books on options techniques. They can be very complex, but I believe I can get a handle on them by reading these one-off books. If you are a long-term investor, writing covered calls may be an excellent method to juice more income from your static positions. I am building myself up to do just that. I highly recommend this book, just for the word "**Synthetic Dividend.**"

Just kidding, this was a fantastic read, and it also goes into the history of options trading and some technical analysis. I read it through Kindle Unlimited.

This link is to a physical product. The link above is to the digital book. Sorry. I get no credit for digital product links.


## 40 “Mortgage Backed Securities”

“Mortgage Backed Securities” by Justin Adams is a fantastic book just for the fact that it is 30 pages long. After reading an almost 400-page book over the last week, it is great to find a short book.

Mortgage backed securities are mortgage loans that banks group together and sell like bond-like securities. You will have to understand some bond terms to get the most out of the experience.

Most mortgages are backed by Fannie Mae or Freddie Mac, which are government agencies. So the loans that conform to these agencies are rock solid. You can receive a higher yield from MBS than treasury bonds, in most cases. Let’s get into my five takeaways.

1) You can buy Mortgage backed securities in increments of $25,000 for Ginnie Mae loans and $1,000 for Freddie Mac and Fannie Mae loans.

2) MBS are valued using weighted average maturity (WAM) and weighted average coupon (WAC). These terms are essential and also listed for you when you purchase your MBS.

3) Some risks associated with MBS are prepayment risk, extension risk, default risk, and lower return than stock risk.

4) Inflation (surprise, surprise) can have an effect on MBS, along with regulatory risk and economic factors.

5) It is also possible to buy into MBS through electronic traded funds (ETFs). This can help you avoid the $1,000 or $25,000 minimum requirements.

This book came along at the right time. I am in the pre-stages of preparing a series called Investing for Interest, and MBS is a perfect addition. I plan on looking further into MBS after reading this excellent short book. Find it on Kindle Unlimited!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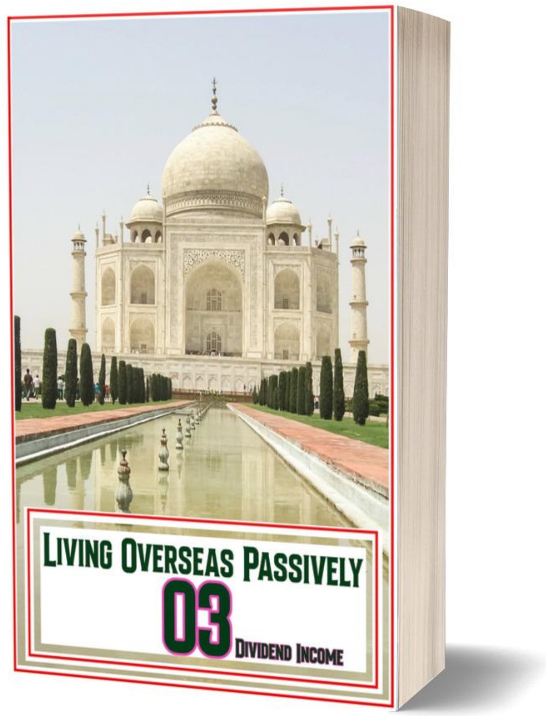


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