November 15, 2024

Do You Have What it Takes to be Successful (as a Dividend Investor)?

I have a quiz for you. Which of these headlines do you think is most important to your financial well-being?

> "On 10/12/22, the S&P 500® closed at 3577, down 25.4% from the high on 1/3/22 (this was the last 'Bear Market' for the S&P 500®)."
>
> ------ OR ------
>
> "On 10/12/22, Keystone client dividends reached a new high of $11.5 million per year, up 1.7% for 2022."

If you picked the first headline, please read this article carefully.

WHAT IS OUR GOAL FOR YOUR INVESTMENTS?

On the front of every newsletter, we state our goal:

> Our goal is to build an income stream sufficient to meet your retirement needs. We also want the income stream to increase over time to offset inflation. To do this, we invest in a portfolio of common stocks of some of the best, high quality, financially strong companies in the world.

Let's review what this really means.

1. The next page shows what would have happened if you had invested $1 million in the S&P 500® thirty years ago (life expectancy of a couple retiring in their 60's).

2. The yellow column is what we do for you. Dividends grew from $28,235 in Year 1 to $150,721 in Year 30.

3. This is an increase of 5.9% per year. Over this time, inflation was 2.5% per year. The dividend increases were more than enough to offset inflation.

4. Note that some years only had small increases. In three years, dividends declined. Your dividends will not increase every year. But over time, dividends have increased around 6% per year.

Our plan is for you to live off your dividends in retirement. Dividend increases—not changes in principal value—must be your focus.

WATCH YOUR DIVIDENDS

In your quarterly packet is a sheet entitled, "Investment Summary." This sheet shows your estimated dividends over the next 12 months.

1. Pay attention to this number.

2. Quit paying attention to principal.

3. Never pay ANY attention to stories on TV or internet trying to convince you that the world is ending. It's not.

Your great companies continue to pay an increasing dividend stream to you, <u>even during a Bear Market</u>.

Investing $1 Million in the S&P 500®
For 30 Years Beginning 12/31/1993

Year	Dividends	% Change		Dividends Spent: Year-End Value	Dividends Spent: % Change		Dividends Reinvested: Year-End Value	Dividends Reinvested: % Change	How Much Are You Paying To Get $1 of Dividends
12/31/93				$1,000,000			$1,000,000		37
1994	$28,235	4.7	★	984,607	(1.5)	★	1,013,217	1.3	35
1995	29,559	4.7		1,320,463	34.1		1,393,946	37.6	45
1996	31,941	8.1		1,588,037	20.3		1,714,009	23.0	50
1997	33,223	4.0		2,080,459	31.0		2,285,850	33.4	63
1998	34,720	4.5		2,635,288	26.7		2,939,124	28.6	76
1999	35,785	3.1		3,149,855	19.5		3,557,550	21.0	88
2000	34,883	(2.5)		2,830,486	(10.1)		3,233,668	(9.1)	81
2001	33,744	(3.3)		2,461,336	(13.0)		2,849,314	(11.9)	73
2002	34,460	2.1	★	1,886,204	(23.4)	★	2,219,606	(22.1)	55
2003	37,271	8.2		2,383,792	26.4		2,856,283	28.7	64
2004	41,681	11.8		2,598,178	9.0		3,167,107	10.9	62
2005	47,628	14.3		2,676,150	3.0		3,322,668	4.9	56
2006	53,348	12.0		3,040,626	13.6		3,847,466	15.8	57
2007	59,453	11.4		3,147,947	3.5		4,058,835	5.5	53
2008	60,858	2.4	★	1,936,435	(38.5)	★	2,557,163	(37.0)	32
2009	48,033	(21.1)		2,390,610	23.5		3,233,897	26.5	50
2010	48,728	1.4		2,696,195	12.8		3,721,031	15.1	55
2011	56,651	16.3	★	2,696,109	(0.0)	★	3,799,613	2.1	48
2012	66,989	18.2		3,057,541	13.4		4,407,673	16.0	46
2013	75,018	12.0		3,962,611	29.6		5,835,252	32.4	53
2014	84,560	12.7		4,413,978	11.4		6,634,002	13.7	52
2015	93,017	10.0	★	4,381,906	(0.7)	★	6,725,801	1.4	47
2016	97,975	5.3		4,799,721	9.5		7,530,201	12.0	49
2017	104,903	7.1		5,731,825	19.4		9,174,164	21.8	55
2018	115,228	9.8	★	5,374,317	(6.2)	★	8,771,946	(4.4)	47
2019	124,859	8.4		6,926,316	28.9		11,533,914	31.5	55
2020	124,941	0.1		8,052,460	16.3		13,656,019	18.4	64
2021	129,483	3.6		10,217,987	26.9		17,576,030	28.7	79
2022	143,473	10.8	★	8,231,322	(19.4)	★	14,392,855	(18.1)	57
2023	150,721	5.1		10,225,812	24.2		18,176,399	26.3	68
Totals	**$2,061,368**								
Annual % Change		**5.9%**			**8.1%**			**10.1%**	

★ In many years, principal value goes down but dividends go up.