

WEALTH DAILY

Dividend Reinvestment Plans:

Special Report

“The Fool-Proof Program That Can End Social Security Forever”

As the old fable reminds us, it's not always the hare who wins the race.

For as savvy dividend investors surely know, it is the tortoise that really prospers in the long run.

That's because the tortoise knows *income investing* allows you to win two ways: first, with a cash payout and second through price appreciation.

And the best part is you don't exactly need to be star trader or market timer to reach your financial goals using this strategy.

In fact, the truth is that just you need to be patient enough to push through the volatility onward to the higher ground.

Of course, seasoned dividend investors themselves have known this for years.

That's why the truly rich don't spend their days glued to the financial news like a bunch of lemmings. They realize that while most investors think trading is where the action is, investing in [high-yielding income stocks](#) is just as rewarding provided you are smart enough to stick to a steady and persistent pace.

In this style of investing, less truly is more.

The Rule of 72

Because the biggest component behind this investment strategy is time—the greatest equalizer of them all.

After all, the secret to this approach is in the compounding effect that Albert Einstein once called “the most powerful force on earth”.

In fact, this force is so powerful that I think the government is deliberately keeping it from you. I say that because if the masses actually knew the income this compounding could deliver they would immediately demand an end to Social Security as we know it.

Why is that? you ask...

That's where the *Rule of 72* comes in.

The Rule of 72 says that in order to find the number of years it takes to you double your investment at a given rate, just divide the yield into 72.

For example, if you are earning a 9% dividend on your investment, it only takes eight years to double your money. . . and roughly 13 years to triple it.

This compounding effect arises when dividend yield is added to the principal, so that from that moment on, the interest begins to earn interest on itself.

Overtime, that process can add up to a small fortune— **even with very modest investments.**

The Retirement Blueprint

In fact, by using this simple but powerful strategy you can build a \$270,000 nest egg in just 35 years by contributing as little as \$100/ month. That is basically the cost of a cable bill and would yield a 525% gain or a market beating average of 15% per year.

And it is easier to come by than you think...

For example, let's say you had saved \$1200 and started with an investment in one of my favorite dividend payers, Abbott Laboratories (NYSE: [ABT](#)).

That initial investment would buy you 26 shares of ABT at today's prices, each one earning a dividend yield of 3.8%. Over time, that specific example would earn you the \$270,000 payday as long as you simply reinvest your dividends; add a mere \$100/ month to your account and the underlying stock appreciates just 5% per year. Not bad.

Better yet, here's another example as it relates to your Social Security “account”. (This is the part the government is keeping from you)...

In fact, by using this simple but powerful strategy you can build a \$270,000 nest egg in just 35 years by contributing as little as \$100/ month. That is basically the cost of a cable bill and would yield a 525% gain or a market beating average of 15% per year.

Because if enough people were aware of the power of compounding they would demand better—especially those who are just entering the workforce.

Dividend Reinvestment Plans

The best part is that big companies like Abbott Labs make this type of investing as easy as tying your shoes.

In fact, by using a dividend reinvestment plan you can practically put a big part of your retirement on autopilot, ignoring the ups and downs of the broader markets.

Known commonly as "DRIPs", these plans give investors the ability to reinvest their dividend payouts immediately back into the company in the form of new shares. This is where the compounding begins.

These steady and continual investments in the same company allow DRIPs investors to effectively [dollar-cost average](#) into these positions lessening the risk that they will buy them "at the wrong time."

Instead, these investors arrive at an average price for the security that more often than not better reflects the true value of those shares.

The reason for this is simple. Using dollar cost averaging, more shares are purchased when prices are low, and fewer shares are bought when prices are high. The end result is that over time the average cost per share of the security will actually become smaller and smaller, yielding bigger profits.

These plans are offered by more than 1100 companies and are available to investors of all stripes making it possible to purchase shares of stock without using a broker.

This allows investors to buy stock directly from the company in very small amounts--something that can be more difficult and costly compared to buying shares through your broker.

In fact, most companies charge no fees at all and the minimum investment can be as low as \$10.

In addition, investors can also choose to add a monthly contribution to the plan, boosting the amount of wealth the DRIP can create. That means that you can start out with as little as a single share of stock and build up your holdings as your savings allow.

This strategy not only reduces your overall risk, but also gives investors a much better return than anything they could ever get from a bank.

In essence, you "save" through your DRIPs investments.

How to start a DRIP

However, there is one catch. In most cases, you need to have at least one share of the company's stock registered in your own name.

That means if you already own shares through your broker and they are holding the the stock certificates, you must tell your broker to re-register the shares in your name.

Alternatively, you can also acquire your qualifying shares using a direct purchase plan, skipping the broker altogether. In that case, you simply buy the shares directly from the company's transfer agents for a small one time fee.

Once you've completed this process you are eligible to establish a DRIP account with the company. At that point, simply contact the transfer agent or the company's shareholder relations department and request a DRIP enrollment form. Just fill it out and send it back.

After that you can practically run your retirement on autopilot, making additional contributions as your budget allows.

Of course, the trickiest part of the puzzle of is in what stocks to choose. Because let's face it: there is always risk out there.

The answer in this case is to be diversified, investing in stocks that are not closely correlated. That means building your portfolio around a core of 4-8 stocks from different sectors of the market. Remember, it is never safe to put all of your eggs in one basket.

Also, it's important to keep in mind that picking successful DRIPs stocks is not as simple as buying the ones with the highest yield. In fact, it is usually the stocks with the highest yields that often trip up investors the most.

Instead, picking winning dividend stocks that will perform over the long haul usually requires finding candidates with two qualities.

#1 — They should have a minimal risk of a dividend cut.

#2 — There should be a high probability that the dividends will increase while you own the stock.

That means you need to start with companies that are not only steady growers but have business models that last over long periods of time.

The Fool-Proof Retirement Plan

With that in mind, I've put together a retirement blue print that will allow anyone who is 20 years old or younger to retire a multimillionaire without receiving a dime from Social Security.

This diversified portfolio, contains a transport, a utility, a tech company, a health care giant, and a defense contractor, all of which pay nice steady dividend with room for growth.

All you need to start is \$15,000 initial investment to go along with an additional \$100 bucks a week in total contributions divided among the five stocks.

What's more to play this one on the conservative side, I only added 5% per year in share price appreciation. In reality, that figure could be much higher.

My retirement blueprint includes:

1. Norfolk Southern Corp. (NYSE: [NSC](#)): A transport, NSC operates 21,000 mile of railroads in 22 states. The company currently pays a 2.60% dividend yield. Current Price: \$62.00

- Initial Investment: \$3000
- Monthly Contribution: \$80.00
- Reinvested dividends: Yes

- Number of Years: 45

• **Wealth Created: \$409,604.00 with a yearly dividend stream of \$9,875.00**

2. Duke Energy Corp. (NYSE: [DUK](#)): An energy/utility company, Duke energy delivers power to 4 million customers in the Carolinas and parts of the Midwest. The company pays a 5.4% dividend yield.

- Initial Investment: \$3000

- Current Price: \$17.90

- Monthly Contribution: \$80.00

- Reinvested dividends: Yes

- Number of Years: 45

• **Wealth Created: \$1,040,461.00 with a yearly dividend stream of \$50,845.00**

3. Intel Corporation (Nasdaq: [INTC](#)): A major league player, Intel is synonymous with the tech sector. The company currently pays a 3.4% dividend.

- Initial Investment: \$3000

- Current Price: \$21.50

- Monthly Contribution: \$80.00

- Reinvested dividends: Yes

- Number of Years: 45

• **Wealth Created: \$532,498.00 with a yearly dividend stream of \$16,671.00**

4. Abbott Laboratories (NYSE: [ABT](#)): A major diversified health care firm, this company has important positions in pharmaceuticals, new technologies, hospital supplies, and nutritional products. This 120 year-old health care giant pays a 3.9% dividend.

- Initial Investment: \$3000

- Current Price: \$46.00

- Monthly Contribution: \$80.00

- Reinvested dividends: Yes

- Number of Years: 45

• **Wealth Created: \$628,520.00 with a yearly dividend stream of \$22,474.00**

5. Lockheed Martin Corp. (NYSE: [LMT](#)): A long time defense giant, Lockheed Martin's is involved in aeronautics, electronic weapons systems, IT systems, and space programs. Needless to say, its biggest customer is Uncle Sam. The company pays a 3.7% dividend.

- Initial Investment: \$3000

- Current Price: \$81.00

- Monthly Contribution: \$80.00

- Reinvested dividends: Yes

- Number of Years: 45

• **Wealth Created: \$588,102.00 with a yearly dividend stream of \$19,985.00**

Retirement Blue Print Totals:

- **Total Wealth Created at Age 65: \$3,199,185**
- **Yearly Dividend Stream at age 65: \$119,850**

So whether you are young, old, or somewhere in between, now is the time to start thinking about tomorrow.

Now more than ever, how you spend your golden years depends entirely on you. All it takes to build a nest egg is time, the power of compounding, and a steady, persistent pace.

Your bargain-hunting analyst,

Steve Christ
Editor, [Wealth Daily](#)

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