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Dividend Opportunities

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Use Buffett's 'Snowball' Effect to Dig Out of the Bear Market Today

-- By Andy Obermueller

You may have seen the new biography of legendary investor Warren Buffett. The title of the book, "The Snowball," refers to the strategy of Buffett's company, Berkshire Hathaway. Berkshire uses its enormous resources to buy stock (and often entire companies) that will generate cash. The company then employs that cash to buy more companies and the cash those companies generate to buy still more. It's like rolling a snowball down a long hill.

Buffett didn't invent this system, nor does he have a lock on it. You can invest the exact same way -- and during bull or bear markets. Now admittedly, you may not be able to use the profits of entire businesses to build a corporate empire. But you certainly can buy a piece of a good company and put its dividends to work to generate your own snowball effect. (*Full Story Below*)

Income Notes

In general, technology companies in Taiwan, Korea and Europe are far more likely than their U.S. counterparts to pay dividends. One exception: U.S. analog chip makers. Analog Devices pays out 4.8%, Linear Technology pays 4.2%, National Semiconductor is at 3.1% and Texas Instruments offers a 3.0% annual yield at current stock levels.

-- Reuters

Also in Today's Issue...

Double-Digit Income and Returns up to +62.3%

Carla Pasternak's *High-Yield Investing* subscribers are having their cake and eating it to. Over the last few months they have been treated to returns of up to 62.3%... all while raking in dividends of 10% and more! It's not too late to join in. Carla's picks are still paying up to 19.6% over the next 12 months.

[Go here to get these double-digit yielders now.](#)

You Could Get +278.5% Income with These Free Tips

StreetAuthority editor Amy Calistri is so full of ideas, we've just added another way for her to share them with you: "Amy's Notes." Her recent note covers a stock that could give you +278.5% more income. Get this pick free and make sure you don't miss out on any others.

[Click here to get this pick now.](#)

The average dividend yield of the S&P 500 is 3.2%. Only 12 of its companies' share prices have exceeded that minuscule return so far this year. Among them: UST, Barr Pharmaceuticals, Wal-Mart, Hasbro, General Mills, AutoZone and Rohm & Haas.

-- Andy Obermueller

One Stock a Month is All You'll Ever Need

For the entire 2009 calendar year 100% of Amy Calistri's *Stock of the Month* picks have been winners. ALL of her picks are up -- as much as +58.4% in just a few months. And her subscribers are making money hand over fist alongside her. One has made \$10,272... another is up \$46,002.

Use Buffett's 'Snowball' Effect to Dig Out of the Bear Market Today

Barring a completely unexpected rise from the ashes, the Dow Jones Industrial Average will record a sobering -35% loss for 2008. The Dow hasn't recorded a -30% loss since the first half of the previous century. The average will likely finish somewhere between 1930's -33% drop and 1907's -37% decline. And the Dow, as the name implies, is an average -- many individual stocks have seen far more dramatic declines of -50%, -60%, -70%, or even more.

With such painful red ink in mind, serious investors are getting past their shock at the global financial meltdown and are beginning to formulate their first New Year's resolution of 2009: To find a way to dig their portfolios out of their

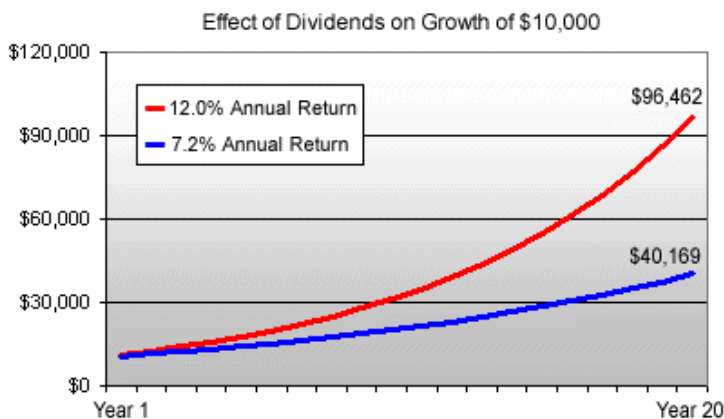
current hole and find a safe, dependable way to generate a solid return.

That's a good plan. And let's not make this any more complicated than it needs to be. For your portfolio to have a successful 2009, you need to focus on only one thing. Dividends.

Many investors pine for the dramatic returns of companies with explosive growth. But you may be surprised to learn that the gains made by juggernauts like Apple or Google are vastly outperformed by dividend-paying companies in the long run. A 2002 study in *Financial Analysts Journal* showed that if your forebears invested \$100 in the stock market in 1801 and reinvested every cent of the dividends, the resulting fortune would have added up to \$37 million by 2001.

If you'd simply pocketed those dividends along the way, however, you'd only wind up with a measly \$2,099. The effect of those non-reinvested dividends actually rendered the stock gains statistically insignificant -- the mathematical term for "too small to count." And think about this: There were lots of high-flying companies that delivered huge gains to investors during those two centuries. But in the final accounting, it was the dividends that had the largest impact.

In modern financial history, dividends have represented about 40% of the market's total return. To illustrate how that plays out, take a look at the graphic to the right. The top line, in red, shows the performance of the market's average total return, which including dividends is +12%. The lower line, in blue, strips out



40% of that performance (for a +7.2% annual return). As you can see, the dividend-oriented investment reaches more than twice the value of the blue line over 20 years.

That gap is your dollars, and over time it is only going to grow wider. Even after only 20 years, the investment that includes dividends has grown from \$10,000 to \$96,462. The investment that fails to capture dividends only adds up to \$40,169.

Dividend Payers Hold Up in a Downturn

Looking for a safe, stable return? History shows you're most likely to find it with dividend payers. Google and Apple don't pay them, by the way. They're good companies, sure, and their shares might continue up someday. But you can't deposit that into a bank account unless and until it happens. You can, on the other hand, put your dividends to work as soon as you receive the check in the mail.

That fact -- or, more precisely, that cold, hard cash -- is why dividend-

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Recent Articles

[The Special Asset Class Legally Obligated to Pay Yields of 10%... And Even Higher](#)

By Andy Obermueller
November 12, 2008

One particular asset class has a long history of rising distributions, double-digit yields and strong outperformance -- thanks to its legal obligation to shower investors with cash. These shares can offer shelter in the storm -- all while generating stellar returns.

[Read On...](#)

[The "Oddball" Security From Canada Yielding 18%](#)

By Carla Pasternak
November 26, 2008

It was greeted as "an oddball security from Canada" when it debuted in December 2003. But investors should be warming up to this special type of security in difficult times. After all, they pay more than four times the average yield delivered by the S&P 500 Index -- while offering the safety of a bond with the upside of an equity.

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[We're Finding Stocks Paying \\$26,500 a Year in Dividends](#)

Now is a great time to invest. Every dollar we're investing is giving us two, three, four even five times as much

paying stocks hold up better than non-payers when times get tough. Investors will take a loss on stocks that don't do anything for them, but they won't bail out on companies that have been sending them steady income.

This makes logical sense. After all, would you rather have a lottery ticket that only has a chance at paying off or would you rather have a dollar bill that you could actually spend? This premise was proven true after the 1907 panic, the 1929 and 1987 crashes, and dozens of other hiccups along the way, from the 1997 "Asian Contagion" to the collapse of the "Dot-com" bubble. In each of those cases, dividend payers led the way to recovery.

Dividend-Paying Stocks Generate More Income (And For a Longer Period)

Not only do dividend payers offer cash, they're paying out more of it than anything else out there. Three-month T-bills aren't yielding anything -- all you get is protection, no return. A one-year CD will pay 3.2%, which will just barely beat inflation. Highly rated corporate bonds are doing a little better, but they're still paying less than 5%. That kind of a payout isn't going to help you make up much lost ground, is it?

But a thousand common stocks in the U.S. alone can beat that. Nearly 600 pay 7.5%, and some 370 stocks are yielding more than 10%. It's not uncommon to even find a company with a dividend yield higher than its earnings multiple right now. I've uncovered more than 30 names with a cursory screen.

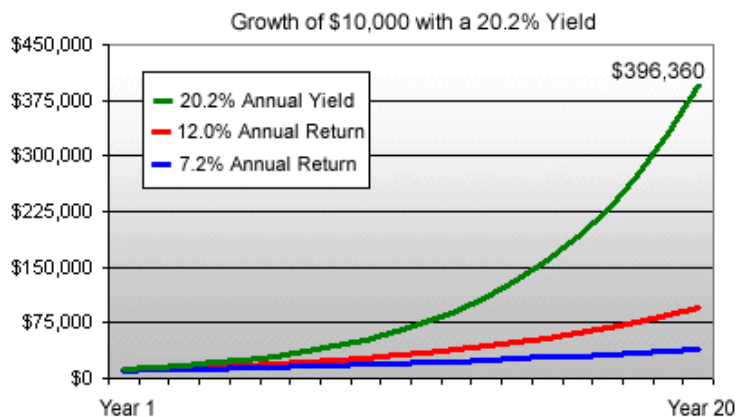
And there's another factor to consider. CDs, T-bills and bonds all are time-sensitive. The rate of return is finite -- it will come to an end. But dividend payers are hemmed in by no such restrictions. You can lock in a high dividend and collect its rich payout stream for as long as you choose. If it's going to change, the likelihood is that it will go up. Strong dividend payers tend to get stronger over time.

Supercharge Your Returns with Cash

After a terrible year like 2008, you can't afford to settle for average yields. You need to be bring in the all-star team that will not only add a margin a safety to protect your portfolio from additional losses, but that will also generate the standout returns you need to rebuild your portfolio.

A moment ago, our chart showed the performance of dividend payers versus non-dividend payers.

There's just one thing. The top line used an average, and that's not good enough. To make up for that, the chart to the right adds a third line. This shows a true snowball effect.



income as it did just a year ago -- it's as if a giant "multiply your money" certificate has dropped into our laps.

[Click here to learn more.](#)

Reader Favorites

[Escape the U.S. Financial Turmoil](#)

By Andy Obermueller

[How to Add a Margin of Safety to Your Stock Portfolio in a Tumultuous Market](#)

By Andy Obermueller

Special Offers

[The Next Way the Government Will Make Investors Rich](#)

The *StreetAuthority Investor Update* is a free weekly newsletter designed to help you track down the market's most profitable stocks, funds, and ETFs. Sign up today and you'll also receive a free in-depth research report -- *The Next Way the Government Will Make Investors Rich*.

It plots what could happen to your portfolio if you put your money into a stock with a 20.2% yield -- the exact sort of gem [High-Yield Investing](#) has just uncovered in a new report.

How You Can Find The Strongest Dividend Payers Available

If you'd like to protect your assets, put your portfolio in line to generate a substantial return and have access to plenty of real income along the way, then I want to invite you to learn more about using dividends to increase your wealth in our special [2009 Wealth and Income Report](#).

This just-released report focuses on the seven niches of income investing that many investors overlook... but offer amazingly rich yields of 16.0%... 20.2%... and even 22.4%. In addition, you'll learn why right now is the best time in a decade to be an income investor; how to find safe yields in a shaky market; the way you can profit from a two-year tax holiday in Canada... and much more. You can access your copy of this report [here](#).

Many Happy Returns!



-- Andy Obermueller
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