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Pay Yourself What Social Security Won't

-- By **Tom Hutchinson**

For the first time in nearly 35 years there will be no cost of living adjustment in payments to Social Security recipients. But for many, monthly bills will increase anyway. We've uncovered one investment class that can help you increase your income despite the lack of help from Social Security. In fact, by using this strategy you can practically create your own cost of living adjustment... every single month. *(Full Story Below)*

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Pay Yourself What Social Security Won't

They came every year like clockwork. They were so usual that most recipients took them for granted. But next year will mark the first time in decades that Social Security payments will see no cost of living adjustment (COLA).

You see, the adjustment is tied to increases in the Consumer Price Index (CPI), which measures inflation. Typically inflation rises a few percentage points a year, in turn leading to an annual increase in Social Security benefits. But with the recession in full force, the CPI has actually decreased about -1% over the past year.

The issue is that the CPI is calculated using a basket of goods bought by the "average" consumer. Of course, people who receive Social Security are usually retirees -- and their expenditures are different than many consumers. For example, medical expenses and prescription drugs usually make up a large share of a retiree's budget.

So while the CPI is down, many expenses for seniors continue to rise. According to a Price Waterhouse study, overall medical costs have increased +3.5% for the last year. Hospital costs have increased +6.6%. Even some everyday items like water and trash collection have risen about +6%.

Income Notes

Fertilizer company Mosaic (NYSE: MOS) announced on Monday that it will pay a special cash dividend of \$1.30 per share on December 3rd to shareholders of record as of November 12th.

The company will fund the \$580 million dividend with cash on hand. As of August 31st, Mosaic carried more than \$2.5 billion in cash on its books.

-- Research Staff

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.

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Breaking News

[The Ultimate Defensive Dividend](#)

This recession-proof company grows in any economic climate. Proof: Its dividends have risen for 17

Yet, many income sources Social Security recipients depend on have been flat or declining over the past year. In addition to no bump in payments, a one-year CD averaged close to 4% in 2008; it is paying 1.6% today. Ten-year Treasury notes paid above 5% in 2007 and pay only 3.5% today.

But you can fight back. We've found a way that you can battle higher expenses and lower income... and in effect create your own cost of living adjustment.

The Key to Increasing Income
The key to boosting your monthly income lies in a security most investors are familiar with: closed-end funds.

Social Security Cost of Living Adjustments	
2005	+4.1%
2006	+3.3%
2007	+2.3%
2008	+5.8%
2009	<u>0.0%</u>

Right now, over 650 of these funds trade on U.S. exchanges. They invest in every sector of the market (stocks, bonds, REITs, MLPs, etc.) and even every niche of every sector (tax-free bonds, high-yield bonds, international equity, preferred stocks, etc.). But what they're best known for is their income.

Unlike traditional open-ended mutual funds, closed-end funds don't have cash going in and out of the fund -- only a set number of shares trade. If you want to buy in, you purchase your shares from another investor, just like a stock.

The structure lends itself to paying out high income because the funds don't have to keep money available for redemptions and can invest all its assets.

It shouldn't be a surprise then that it's no problem finding closed-end funds that pay income. My screening software shows 290 CEFs currently yielding over 7%. More than 130 are yielding 10% or higher. The overwhelming majority of closed-end funds pay distributions on a monthly basis -- 460 of the 654 to be exact.

Adding one of these high-yielding gems to your portfolio should give your monthly income a quick boost. However, the last thing any investor should do is buy into a fund simply because it pays an enticing yield.

Just like any other investment, you need to do your homework. But since funds are different than a normal stock, there are a three unique metrics you should keep an eye on:

Performance During the Downturn

Past performance is a fund's resume. While nothing is certain, you can generally increase your chances of choosing a solid-performing fund by selecting one that has proven itself already. In particular, you want to ask:

- How has the fund performed in good markets and bad?
- How has the fund performed relative to its sector?
- Does the fund perform well in the long term and/or the short term?

If you're most worried about safety, a good place to start your search is with funds that were able to hold up in the last downturn. These may not offer sky-high gains in a rising market, but they've proven their mettle in one of the worst downturns in recent memory.

Discounts and Premiums

Sometimes closed-end funds trade out of line with their net asset value, meaning the share price may be higher or lower than the per-share value of the assets held by the fund.

Some funds may trade out of line with their net asset value for years. Therefore, it's important to look at the discount or premium in relation to its historical average. The key is to find funds trading for *less* than their average

straight years, and they're likely to rise for the next 17.

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[The Safest 6% - Plus Yielding Stock in America](#)

The S&P's triple-A credit rating typically means a lousy dividend, but plenty of highly rated companies offer rich revenue streams. The best one may surprise you.

[Read On...](#)

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

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historical discount or premium.

Avoid Return of Capital Distributions

Before buying into any fund, you'll want to know where the dividend payments are coming from. You can usually find this by look at the last year's tax breakdown on the fund's website.

Many funds have "managed distribution policies." This is a fancy way of saying they plan to make the same payment each month, no matter how much income the fund earns from investments.

Usually the fund sets payments at a sustainable level. But in some cases, a fund may earn less income than it pays out -- forcing it to dip into its assets to maintain the payment.

These distributions are classified as return of capital. Such payments are simply a return of your principal and erode the value of the fund. In short, it's usually best to avoid funds making return of capital payments.

Good Investing!



Tom Hutchison
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