



DISCLAIMER - I am not a Financial Advisor and do not work for any Brokerage Firm. The opinions given are of my own and are not to be used as professional advice. These are my findings and can hopefully help you to make informed decisions on investing. Consult a Broker or Lawyer before making any investment.

DGI investing – Dividend Growth Investing

Probably the most underused method to acquire great gains in your investment portfolio is DGI Investing. Ever heard of it? It has been around for years, but few people have adopted it. It is Dividend Growth Investing. We have discussed dividend stocks in two previous articles

Dividend Aristocrats

<https://lifecanbesimple.net/blog/what-are-dividend-aristocrats>

And Dividend Kings

<https://lifecanbesimple.net/blog/what-are-dividend-kings>

The Dividend Aristocrats and Dividend Kings are lists of stocks that may or may not be ideal DGI investing instruments. A Dividend growth stock will not only provide you dividends, but the company will continue to grow and the stock will appreciate. So if a stock pays a 6% dividend and in a year grows 8%, you received a 14% growth in that one year. (Added value of your investment plus the dividend paid.) I code all my Stock Schwab Slices where I purchase most of my DGI stocks to automatically reinvest the dividends by purchasing more stock of the company.

Is it possible a company could return in one year more than 14%? Does it sound too phenomenal to be true? It happens all the time. But as I warned you in the earlier articles, don't chase high dividend percentages only as the company may be paying out more than 50% of earnings to pay that high dividend. A company without sufficient money to reinvest will not continue to grow. So pay attention to the percentage of profits used to pay out the dividends. Some REIT (Real estate) stocks by law return the profits to the investors, so there are a few exceptions to this rule.

So you are looking for high-quality companies with the ability to continue to grow. With this and the compounding of interest and growth price (appreciation), this can turn into a fine return. In 2022, I have been putting over ½ of my investment money set aside for ETFs and Stocks into DGI investments.

Review those two lists on Dividend Aristocrats and Dividend Kings. They are different lists, and if a company is on both lists, it should be carefully considered as a potential DGI investment. If you continue to buy stocks all through the year with consistent investments, you will gain the average cost on the price throughout the year. That way if you invest \$50 each month into say McDonald's stock when it is lower priced you will purchase more shares, and as it gets higher, fewer shares. For example only, if the stock was \$10 a share, you would get 5 shares for \$50. If it moved up to \$20 a share, then you would only get 2.5 shares for the same \$50 investment. But your per-share cost would be $100 / 7.5 = \$13.33$. As time goes on, and the stock goes up and down as the market fluctuates, your average cost will vary. This is what Dollar Cost Averaging is all about.

Income investing is much like DGI investing. In both cases, you receive dividends from the company. The big difference is in DGI investing, you have a much greater chance of stock appreciation in value.

Finding companies that have good dividend returns and excellent growth potential are sometimes difficult. Many websites offer not only last year's growth rate, but the EPS percentages for next year and sometimes for the next 5 years. EPS stands for earnings per share. If a company has a projected EPS of 3% or more, that is probably a worthy candidate. Also, remember to look at the P/E ratio (Price to earnings ratio.) As I have mentioned in earlier articles, an ideal P/E is 8 or less. Many today are well over 20, so don't let this deter you if other reasons are compelling to include the company.

Some of the best options for DGI investing include REITs (Real Estate Investment Trusts) and Preferred Stocks (possibly via ETFs) and also CEFs. (Closed-End Funds). These are unique mutual funds that can

not sell more shares but are fixed at the IPO shares sold. You buy these looking at the Dividend Return and the discount to NAV. (Net asset value) I will get some examples of these and do an article on CEFs in the upcoming month.

A few of my DGI favorite investments are O - Realty Income (Reit), CVX – Chevron, WMT – Walmart, ABBV – ABBVIE(an Abbott labs spin-off), PEP – Pepsi, and KO – Coca Cola.

These all appear to have good growth potential and are paying dividends of 3% or more.

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