
RETIREMENT


Crabby Road
11-9-11
I really feel for the trees this time of year. At least when I went through "the change" nothing fell off!
©Hallmark Licensing, Inc.
Maxine.com


Crabby Road
2-22-10
What's so bad about preservatives in food? At my age I need all the preservatives I can get!
©Hallmark Licensing, Inc.
Maxine.com

An Older Folks Portfolio

Composed and edited works of Chowder by Joni Repasch

Summary

Income has priority.

Wanted small amount of growth.

Wanted to limit number of holdings.

The following portfolio belongs to a 71 year old. It is a taxable account and there are no RMD concerns. The individual wants this as a Legacy Portfolio to provide income for his wife in the event he passes first, and then when she passes away, the portfolio will go to their daughter, hence the small amount of growth. I also manage an Ira for the daughter.

Primary objective: To build an income stream that is reliable, predictable and increasing.
The only concern the portfolio owner had was to simply own good companies. He is not concerned with beating or matching benchmarks, he's not concerned about market draw downs, he has already been through the Great Recession with me and saw his income rise while the portfolio value dropped, but he was impressed with how the portfolio rebounded as a result of owning good companies. He's sold on the process.

He owns 30 companies, not looking to own anymore. My job is to continue building his positions up in size.

A full sized position in his portfolio represents 3.3% of the portfolio value. Anything above that we consider to be an overweight position.
He has over 70% of this portfolio in the Defensive sector, he doesn't like taking risks so I try to keep it as conservative as possible.

Here is his breakdown: (Company plus position size)
Overweight and full positions:
D 7.4%
JNJ 6.4%
MO 6.1%
O 5.9%
KHC 5.8%
PG 5.2%

T 4.8%
GIS 4.4%
MCD 4.2%
DUK 3.9%
PM 3.9%
KMB 3.8%
CVX 3.7%
SO 3.5%
UTG 3.5%

Up to 3/4 sized positions:
VZ 3.1%
KO 3.0%
GPC 2.4%

Up to 1/2 sized positions:
HCN 1.8%
HD 1.8%
PAYX .. . 1.7%
UL 1.7%
MMM .. 1.6%
SRE 1.6%
PEP 1.4%
XOM 1.4%
TGT 1.3%
V 1.1%

Up to 1/4 sized positions:
CBRL .. 0.8%
SBUX .. 0.8%

Comment from reader >>> **@ ankemalyan-** Ha; sat down to dinner on a Friday night and found that Chowder was on the menu. How appropriate.

Since earnings drive both dividends AND capital appreciation, I'm curious how different this portfolio is from one you might manage for the 55 year old with another 12 years to Medicare and full SSI benefits.

Your oldster portfolio looks suspiciously like mine and I have another decade to standard retirement age. I might worry about my tilt to large cap dividend champions, except that I just looked at my Walmart holding; the position has doubled in 5 years and change; so much for death at the hands of Amazon.

I'm taking the approach of buying dividend growing larger cap bullet proof companies, no rebalancing, DRIP everything, shovel as much new money into the qualified account as legally possible, including Roth 401k, back-door Roth IRA I'm also a buy-cautiously, monitor incessantly, sell very rarely kind of portfolio builder.

When many of my holdings are appreciating at around 10% per year, the "growth kicker" doesn't seem all that important. 15 Dec 2017, 11:00 PM

Chowder >> Author's comment » Here is a 55 year old portfolio, positions as equally weighted as possible, all dividends reinvested.

ABT .. ADP .. AMGN .. D .. DUK .. GIS .. GPC .. HCN .. JNJ .. KHC .. KO .. LOW .. MKC .. MMM ..MO .. NEE .. O .. PEP .. PG .. PM .. T .. V .. VFC .. VZ .. XOM

Again, all equally weighted as close as possible. The equal weighting provides him a little more growth potential with companies like V and LOW. I did work out the yield for him as he wanted to know and this portfolio has a 3.03% yield. 15 Dec 2017, 11:06 PM

Comment from reader >>> @ alaimoj- Any thoughts about structuring an income portfolio based on equal weighing income vs. investment amount. Pros/Cons? 24 May 2018, 06:46 PM

Chowder >> Author's comment » If you are going to equal weight income as opposed to market value, you might end up owing a lot more of a company than you might ordinarily feel uncomfortable with. So, if you were to equal weight income, just be sure you only own high conviction companies.

I would have to own an incredible amount of MA to equal what T pays out in dividends, so it may take more capital as well to equal weight according to income, but others are comfortable with it. 25 May 2018, 03:53 AM

Reply from reader >>> @gabby1945- My last attempt at equal weighting income was T versus VZ. I own more T than VZ in one kid's portfolio for that reason. It isn't that difficult to do if price and yield are close to each other, but as Chowder suggested, I consider it a fool's error to try that with a low yield to high yield company, at least the ones we talk about in most DGI blogs or articles.

If I were young just starting out, I would concentrate on owning quality, limiting quantity of stock positions. Pick a number, 5, 10, or 15.

Example: D, O, T, VZ, and KO. I would pursue the same philosophy of a 401 Mutual fund allocation on a monthly basis, be it $100 a month or $1000 a month. In my 20's-30's I would build those 5 to the max, whichever showed the most value that month (bi-monthly). Income depends on share count. In 120 to 180 months of purchases, the share counts for those five will be meaningful, especially if dividend reinvested.

You could also employ the ***["Next Man UP"](#)*** that Chowder does for his clients. The goal is to build income in order to build out and up in the 40's and 50's, building the starting five share count when presented with a great sale price. I want these golden geese to "live long and prosper" to fund share purchases that are meaningful. In the 50's I would build the winners and trim the losers that aren't core, slowing reducing the number of equities, or reallocating positions for maximizing income.

One has to have faith and a history of those starting 5, 10, or 15 stocks. If one does, put the peddle to the metal and let the money machines turn out their products (shares or cash). The assumption: All five together will generate close to $1000-$2000/month income stream depending on one's monthly contributions in a 10-15 year period.....that's just off the top of my head, I haven't worked the numbers. 25 May 2018, 10:24 AM

Comment from reader >>> @ Dakota3496 - Chowder, thanks for sharing all that you do. If you were 65 years old today and starting out with a cash portfolio of $600,000 would your choices in the companies above be the same? and if so would you slowly take positions on dips or just make purchases of each despite their high valuations? Thanks again for the great education you have been and continue to provide. Dave 16 Dec 2017, 10:56 AM

Chowder >> Author's reply » @Dakota … >>> If you were 65 years old today and starting out with a cash portfolio of $600,000 would your choices in the companies above be the same? <<< This is a difficult question to answer without knowing something about you, your mindset, your objectives. It depends on what your needs are, not wants, but needs.

Some people come to me with immediate needs and a portfolio like the one above won't meet them, so then you have to look to more higher risk investments to fill the need.

Whether you go in large or small depends on how you react to seeing falling prices in the event they fall.

That isn't a concern for me but it's obviously a concern for others.

Now please understand the following example I provide may not be suitable for others, but it's what I would do for me based on my level of knowledge and a much more pragmatic mindset about investing.

I would invest the entire amount next week! ... **Ha!**

I would determine how much income I "needed" that $600k to generate and then I would look for the companies that would support that objective and try to be as conservative as possible.
It may be that you should lay $100k aside to withdraw immediate monthly amounts while you let the positions from the other $500k do what they are going to do.

I do not believe in allowing fear to make me freeze and do nothing. I am going to overcome fear. The mind is not always subject to logic, but it is always subject to action. I'm going to take action but I am going to try and make sure it's sensible action where I expect reasonable performance, not outstanding performance. You don't have time for outstanding.

I do reserve the right to change my conditions as more information becomes available.

Gotta be flexible, be water, not ice ... I liked that one. 16 Dec 2017, 11:09 AM

Chowder >> Author's comment » ***A word about dividends*** that I think are sometimes overlooked.

When the market is correcting, and taking share prices lower, which includes your portfolio values, the dividends coming into your account every month add ballast and actually prevent your portfolio value from dropping as low as the market does. The more dividends you have coming in every month, the more ballast that is being added to your account.

Another point about dividends. When I provide dividend growth numbers in double digits each year, the first question a lot of people ask is, how much cash did you add to help create that growth? In my case most of the cash going into the account is from dividends, and those dividends are being used to buy even more shares of dividend paying companies.

Where I may have a small advantage over others is that I am not trimming a 2% yield and then buying a 3.2% yield, that's a mere 1.2% increase. I'm keeping the 2% yield and adding a 3.2% or 4% yield and that's a significant advantage over the year, especially when you consider I'm also getting dividend increases from both positions with a higher number of shares because I didn't trim anything. I do everything I can to keep what's on the books and add to it. It's why I focus on the higher yielding companies initially. It's so I'll have more cash to invest as we go along.

A lot of folks reverse yield order. They will trim a 4% yield to buy a 1.2% yield with growth potential. Well, that lowers the amount of cash flows coming into the account via dividends, I certainly don't want to lower my cash flows. I use the dividends from the 4% yielding companies to buy those lower yielding companies instead, and I get to keep all of the cash flow from the 4% yielding company while still pursing growth.

I call it balance as opposed to one or the other, make a choice. I choose both! 19 Dec 2017, 07:33 AM

Message to the older folks:
Past returns are no guarantee of future performance. Don't dwell on past glories or defeats. Stay forward looking.

You aren't the genius you think you are, you aren't the failure you think you are as long as you buy quality and stick with your plan.

We remember our triumphs. We forget our failures. Ever talk to someone in a casino? They'll bend your ear about the times they won. Not the trips when they lost. Investors are the same way. They need to protect their egos. Selective memory is insidious. Makes it easier to lie to themselves. They overrate their abilities. They underestimate risk.

As we look forward to 2018, a lot of people will be doing portfolio reviews. As I look forward, my immediate concern is earnings season which starts in about 3 weeks. I have been taking advantage of the ***beat and raise concept*** to add to positions, and with several interest rate hikes expected in 2018, the market may react differently this earnings season.

I will continue to harp on the condition of the market, and I will use the market reactions to earnings to see if current market conditions will be intact, or if market conditions are changing. If market conditions remain the same, I will continue to use ***the beat and raise concept*** to add additional share count. If market conditions should start to change, I will switch tactics and go back to buying dips, because rising interest rates will almost assuredly cause the market to dip. The market will speak to us, we just have to open our ears and listen, adjust, adapt and have a plan in place. 27 Dec 2017, 07:40 AM

People can talk all they want about buying income when the time comes, but I'm telling you folks right now, that's difficult to do under current market conditions, and it may get tougher for all I know. It's difficult finding well performing, quality companies with yields at 3% or more.

No matter how hard I to try to convince people to start early in building income flows, there are some who insist they are smarter than everyone else and they will wait. I'm seeing the downside that waiting has caused quite a few people as I review quite a few portfolios. I'm going to blame you, **buy the dip value investors,** for that! Oh yeah! You guys convinced folks to hold back on building their positions and now the job is getting tougher for them. No worries though, I'll do what I can to help them out. ... **Ha! Ha!**

To others; ***build that income stream before you need it.*** Noah would have been up a creek without a boat if he didn't build it before the rain. 02 Jan 2018, 05:30 PM

Chowder >> Author’s comment » Tonight on Mad Money a couple of callers asked about PCG and NGG,

Cramer said buy D. Cramer went into his routine on how the management of D looks out years with their projects and is one of the best run utilities out there. (Paraphrasing here.)

Cramer recommended buying this dip following the SCG merger. Of course I was already ahead of Cramer as usual. I added more on top of full positions yesterday. ... Ha! D folks! How long have I been talking about D? ... **Git some.** 04 Jan 2018, 08:41 PM

Chowder >> Author’s comment » One of the things I used to find frustrating is that I really didn't understand analysis put out by people. Every day you can find one person saying SNA is a sell, the next day another person saying SNA is a buy, and there's nothing special about me using SNA as an example other than my son owns it and I've seen articles on both sides of the equation this week.

I continue to see articles put out by people telling you what is going to rise at least 20% this year and what you should sell. How would they know? What kind of futuristic abilities do they have that they can predict the future accurately.

People, most of what you read here on SA and in media sites isn't true analysis, it's opinion based on their personal bias and prejudice. True analysis doesn't have anecdotal insights, those are opinion. True analysis doesn't have a heavy flavor of what's happened in the past, that doesn't guarantee future performance.

True analysis looks forward. It tells you what the company has to do to be successful and to avoid what risks they have to overcome. You get both sides of the story with a synopsis on what to look for, what to do, in the event it goes in either direction.

One sided articles are opinion!

This is why I rarely read articles here on SA anymore. I rely on professional analysis from brokerage firms, the ones most folks ignore because most folks can't get past the buy, sell or hold recommendations which are to be ignored by long term investors. If you can't control your emotions and ignore what you need to ignore, the learning process starts to decline. Good luck with that.

Anyway, although this comment has nothing to do with this comment above, if you have time on your side, look at V ... **git some.** 09 Jan 2018, 12:43 PM

Chowder >> Author's comment » I think what you are going to see for the next two weeks is market weakness until earnings season kicks off in earnest the week of Jan 22.

Between now and then, I expect to see a little more weakness in utilities and most of them have now corrected 10% from their 52 week highs. I will be looking to add one or two to insure they remain full positions.

If one is interested in dividend cash flows as opposed to capital gains for now in utilities, you now have quite a few 4% and 5% yields available.

I'm looking to add more DUK and ED in an older folk portfolio. I'm going to wait and see how price and volume action plays out first. May add today, may wait until tomorrow, we'll see.

Food for thought. 11 Jan 2018, 09:34 AM

Question from reader/Contributor >>>@ Ted Fischer- Chowder, what would your top three "growth utilities" be? High quality utilities with growth potential if not quite as high a current dividend? 11 Jan 2018, 09:38 AM

Chowder >> Author's reply » I think D, SRE, and NEE probably have the best growth potential. They are the ones looking to expand their coverage area and favor alternative energy strategies. I should add, I only follow 10 utilities and I don't know who represents the best growth outside of them. 11 Jan 2018, 09:42 AM

Reply from reader/Contributor >>>@ Ted Fischer- Thanks, Chowder... I've been thinking of adding one more utility. Have heard a lot about NEE and need to look into that one more. 11 Jan 2018, 09:44 AM

Chowder >> Author's comment » Ted brings up some very good points about debt and credit ratings. He has rules he follows, I have what I would call guidelines for lack of a better word. BDX has taken on some debt that could potentially bog down the company, key word being potentially.

What is of concern with analysts is the unexpected active acquisition process BDX has decided to take, and Ted covered this. The unexpected is always looked at with concern until the uncertainty is cleared up. What analysts do agree on is that these acquisitions BDX has undertaken potentially will be good for the future growth of the company and the growth of the dividend, key word once again ... potentially.

They so far have shown a sign of strength by continuing to pay and raise the dividend, and even though the payout ratio has risen in the process, the view by analysts are that the future earnings of the companies acquired will bring the ratio back down.

Ted has accurately stated the company needs to execute, and that they do, so now it comes down to whether I have confidence in the management team or not. The couple of sources I used to determine that, and M* was one of them, analysts have high confidence in BDX management, in fact M* gives them an Exemplary rating.

Okay, that's cool, in BDX I trust, for now. Where CVS was different for me is that CVS is willing to blow up their balance sheet to acquire a company to the point where there won't be any dividend growth for several years. CVS is operating from a position of weakness. Those same rating agencies I used for analysis of both BDX and CVS have more confidence in BDX than they do CVS and that's important to me. M* gives CVS management a Standard rating, so when you combine that with a dividend freeze, I decided to move on and I can come back in a couple of years if I wish to do so.

BDX may fail as an investment and CVS may turn out to be a pristine investment, I don't know. All I know is what risks I am willing to take and which ones I'm not, and I'm not always right, but I always own my decisions.

You need to know what it is you are looking for in an investment to determine if it is suitable for you. Ted and I look at different things and thus it's only natural that we may not come to the same conclusions. It doesn't matter that we do, it only matters that each of us is satisfied with the choice we made, and it's important for you folks to decide what it is you want, not to rely on Ted and me for analysis, you must research these companies on your own so you are comfortable with the choices you make and once you make them, stick to your plan, don't allow others to dictate your objectives.

Think about it. 14 Jan 2018, 09:21 AM

Comment from reader/Contributor >>>@ Ted Fischer- Absolutely! We each make our choices for our own reasons. Shouldn't be emotional, just execute the plan. My system favors CVS, his favors BDX. I can even acknowledge that Chowder is more likely to be right than I am, but I am **STILL** going to execute my system. Anything else would be foolishness. 14 Jan 2018, 10:22 AM

Chowder >> Author's comment » As most of you know, I help quite a few people in managing their portfolios, and in doing so, I'm just now getting around to mine. I always do mine last.
I just did my dividend income review and I was pleasantly surprised at what I found.

I am in the distribution phase and I am drawing "some" of my dividends every month for living expenses.

What I don't draw on gets reinvested. I do not make any cash contributions to our portfolio, everything is self-contained, the portfolio has to generate income growth without any additional outside cash payments.

Our dividend growth for 2017, even though we withdraw funds? More than 25% dividend growth. ... Stunning, I know, but that is **"*the power of the "circle the wagons" approach*** I made a couple of years ago. I went with the higher yields, 3% or more, and the dividends that do get reinvested are generating more income than I could get from a 1% yielding company that shows 20% dividend growth. 20% of nothing is still nothing. If that dividend growth of 20% on a 1% yield can sustain itself for a number of years (and how sure are you that it can) then it may work out, but I'll still stay ahead because I will still be adding to higher yielding companies.

The other very significant piece of the puzzle is that I don't trim shares. I build share count, not trim them, as dividends are based on the number of shares you own. When you lock in any capital gains, you sell shares. I want to leave my shares alone since they provide more than what my income needs are and 25% dividend growth ain't too shabby folks, especially when no cash was going into the portfolio to boost return.

This is why it is so easy for me to filter out the noise and alternative strategies I see being posted all the time. Others may deal with theory and studies, I'm dealing with real life in real time. ... **Go me! ... Ha!** 20 Jan 2018, 08:52 AM

Comment from reader >>> @ divestor- Chowder, You said...."I went with the higher yields, 3% or more, and the dividends that do get reinvested are generating more income than I could get from a 1% yielding company that shows 20% dividend growth. 20% of nothing is still nothing. If that dividend growth of 20% on a 1% yield can sustain itself for a number of years (and how sure are you that it can) then it may work out, but I'll still stay ahead because I will still be adding to higher yielding companies"

I completely agree with this statement and was thinking the same thing when I read an article earlier this week. The discussion was around moving on from investing in the old DG companies. For me, the dollar amount of the dividend increase is more important then the percentage of increase. Tom 20 Jan 2018, 09:10 AM

Chowder >> Author's comment » I have been working with quite a few people the last couple of months in helping them set up portfolios. You would be surprised at some of the recommendations I made based on their goals and objectives, their wants and needs, and their various risk tolerance levels. And I always assume they can't take as much risk pressure as they think they can. Everyone is a hero in a bull market. I set up one portfolio today for a lady who knows nothing about the market, just rolled over her 401k, she didn't even know how to open a brokerage account or who even offered that service. ... **Ha!**

\It happens though, and since I am not going to manage her portfolio personally, based on what she told me I had her keep 50% in cash, 25% in SPY and 25% in XLU. It might not be what others would do, but given that she wanted a set it and forget it while trying to balance safety with growth, I thought it might be better to set it up that way initially.

I had another person who had a few different type of accounts and we set it up where the Roth was 100% in utilities, the SEP 100% in REIT's and the taxable account your normal dividend growth type portfolio. Again, you'd have to know the wants and needs to understand why these moves are made. I really liked that situation though.

Too often when a person comments we take what they say and apply it to what it is we are doing and what we are doing may not be in their best interest. So I try to understand where they are coming from before I suggest they might be right or wrong.

Most of the comments I make here on SA, unless I am responding to a comment, aren't directed at those of you who post comments here but to those who lurk in the background, who have reached out to me, and I respond publicly because I know others are in the same situation.
This would be one of those type comments. So for you folks out there lurking, don't let the people commenting here influence what you do or don't do. Some of you have already done that and wish you hadn't. Their goals may be different than yours and what is right for them may not be right for you, and what's right for you may not be right for them.

Focus on what's important to you! 24 Jan 2018, 03:28 PM

Comment from reader >>> @ P's papa- Chowder, >>So for you folks out there lurking, don't let the people commenting here influence what you do or don't do.<<

I'm one of those lurkers- I hope I've been following you long enough, Chowder, that I'm able to hopefully filter out (most of) the noise and stay on task. Appreciate all your comments, I'm just "lurkin', listenin' & learnin" 24 Jan 2018, 05:34 PM

Chowder >> Author's comment » I received a PM from someone who told me that a person they know purchased 12 utilities for their retirement portfolio, had their dividend pay dates spread out where they had dividends coming in every month. I actually like that concept!

I will be adding to several utilities today in an Older Folk Portfolio. Where others will concern themselves with whether prices go up or down, I'm staying focused on the steady, reliable and predictable dividends that utilities provide. I don't know why older folks worry so much about price volatility on shares that most people have no intention of selling in retirement. Utilities are great income vehicles, not to be treated like growth companies.

Utility shares are a keeper and probably a last resort to sell, at least that's the way we view them. 31 Jan 2018, 08:00 AM

The only thing I track on paper are the monthly dividend flows. I list them every month and compare them to the same month a year prior. That's all I track.

I've had people I help to change their mindset to this concept of tracking income only and ignoring portfolio value and they are amazed at the growth rate of income and the peace of mind in seeing that the income continues to grow even during market corrections. The market doesn't take shares or income away, only perceived values. Perceived values don't pay the bills, real cash (dividends) do. I focus on what is important and what is important are those dividends paying for us to be here at the beach this week. 12 Feb 2018, 10:39 AM

Question from reader >>> **@eaglebear-** Went to SSD site to build a proposed portfolio for my wife's rollover 401k. Rollover amt 146k, currently invested in simple 4% account. Paying about $5,664 per year.

Proposed portfolio Below:
Div yield 4.5%/ Divi safety 78/ Div Growth 30/ Beta .54 (From SSD site)
10k each in following: SO/Duk/D/ KMB/ NNN/O/ PEP/PG/T/VZ/ WEC/WPC/ XOM
5k in: MMM/AMGN/CNP 1.2k DLR for 17 positions. This adds two new positions to our portfolio /AMGN and DLR.

Designed to maximize safe income. Will use dividends to build out as no new money will be added. Was able to work in PEP/PG/ KMB/ MMM/DLR/AMGN/XOM for some diversity (Outside of reits and utilities). Any suggestions as alternative positions, or position sizing? Need the portfolio to yield 4%! I would love to entertain others thoughts. Did paperwork for the rollover this week. Hope it hits the account next week? 13 Apr 2018, 12:05 PM

Chowder >> Author's reply » @eaglebear ... ***How about adding no new companies*****!** You've achieved the objective so simply use the dividends to build on what you own. The more you try to get cute, the more you undermine your strategy. Once the paperwork is complete, and the companies are purchased, the only objective then, in my opinion, is to build up, not out. 14 Apr 2018, 07:59 AM

Question from reader >>> **@eaglebear-** Chowder: You always have cogent, practical, and reasonable responses. I think you may be right. IT is something to ponder. I feel like I can keep up with 50 companies in the total portfolios. I am pushing this number at this time. However there are some companies I would like to own at the right price and time. Some examples are MKC (McCormick) ITW/ ADP/ BDX/APPL/TXN. I am not buying them now. Can we build up and add a company from time to time? I have been doing this since 2012. I have most of the companies I want and have some I am still building up like HRL. Do you get to the place you say, if I add a company one has to be eliminated, and that only if the new candidate is better in some defined way? Would you set this on divi reinvestment or collect to $500/$1000 and selectively reinvest? 14 Apr 2018, 10:44 AM

Chowder >> Author's reply » @eaglebear- Dividend reinvestment or collecting the dividends in cash and selectively investing them where you want is based on need or personality. It seems we never own enough of the companies we really like, what we consider to be core holdings, so for them it might be better to reinvest the dividends and then collect dividends in cash and invest them where you wish.

For companies that are cyclical in nature, where they have large price swings, industrial's usually fit in this category, then it might be best to collect the dividends in cash and invest elsewhere until those companies have a 20% correction or more. You can usually get a 30% correction from a new high at some point with cyclical companies.

The companies you would like to own in your list above will lower your overall yield objective. This is where one needs to know what the priorities are because a lot of choices people make are in conflict with each other and it will reveal itself during a bear market, one they haven't experienced yet. So what's the goal? ... A certain yield? ... A certain dividend growth number? ... A certain portfolio growth number? ... A certain income level?

You can't have them all!

Usually the higher the yield expected, the lower the portfolio growth number. I don't expect the portfolios I help to manage to grow much in value when the yield expectations are up over 4% (these are income based portfolios where an immediate income objective is required). Sometimes the prices rise nicely, but it isn't something that is reliable over longer periods of time. So know what the priority is and focus on the priority for several years until the portfolio is well established. My experience has been that the longer the portfolio has been owned, the fewer positions that are owned.

Over time you have companies that perform very well for you and some that don't, and I have found that owning more of what is working is better than owning less and having that money tied up in non-performing companies, so I sell weakness and buy strength. It takes time to determine strength from weakness, so if yield was your objective, focus on companies meeting that requirement.

You don't have to make all adjustments at once. Stick with your original plan and build on it for now. Over time you will notice whether adjustments need be taken or not, don't complicate it. ... Patience! 15 Apr 2018, 05:08 AM

Comment from reader >>> **@eaglebear-** Chowder: I have been thinking over your comments and came across them again this am. It is easy to loose focus on the objective. I will only add to these companies or companies with yields greater than 4% to meet ongoing RMD requirements. That is why I set the portfolio up the way I did. Based on my projections her portfolio won't be converted in the next few years as the focus is on mine as it is larger. Once money gets into the Roth then I can expand out as opportunities offer themselves.

In my own 401k I am converting the lower yielding high conviction stocks like JNJ/ MSFT/WM etc. I have left some reits in the 401k for yield. The plan is by the time I reach 70.5 in 4 years I will have mostly high yielding stocks left. The year I reach 69 and 70.5 (BD is in March so have to take RMD that year), I will collect dividends and not reinvest them to prepare for RMD's. Having extra cash will augment the money in the account to pay the RMD without selling shares until they are all converted. For me after the conversion this year the 401k and Roth will be close to equal in value. IF I have to take an RMD it will be gifted to my church to avoid taxes. I give to them anyway so will use this source of income to maximize tax efficiency. So I have decided for the most part to follow your advice and build up the stocks I have in the wife's portfolio based on the best value at the time. Since I have 500 free trades I can reinvest small amounts as it won't cost anything at least for the first 2 years! 25 May 2018, 12:03 PM

Chowder >> Author’s comment » I love utilities because most of them have a monopoly, a service we all must use, many are regulated and that allows a very secure dividend. But for those of you who worry about price action, here's a stat that should ease your mind.

In the last 35 years, only four times when the utility sector showed a loss in the first quarter, has the sector finished with deeper losses for the year. One of those years was the beginning of the Great Recession and you'd have to go all the way back to the Enron years for the next one.

I'm not saying the utility sector won't fall further, I haven't got a clue, but I own utilities for their reasonably safe dividend and dividend growth, and that isn't being challenged.

History shows that being patient with high quality utilities has rewarded investors handsomely.

Those of you with access to FAST Graphs, check out 20 year performance numbers for the utilities you own, those Enron years and the Great Recession will be included in the performance and you'll see for yourself how resilient utilities are as a long term investment.

We own several utilities and every one of them is a full position or overweight, we don't argue with success, we ride its coattails.

Utilities ... git some! 15 Apr 2018, 05:50 AM

Chowder >> Author’s comment » Close to retirement? ... If so, you should have an idea of what your income needs are going to be, and you may want to include your SS as part of your monthly cash inflows. I have worked with quite a few people in setting them up for retirement, and although their portfolios had some companies with very handsome capital gains, some of those companies just weren't generating enough cash to live off of. Companies like BA, V, and even in some cases, trimming JNJ or something similar, and doubling up on companies like T and O was necessary to generate the income they needed coming in every month during retirement.

Monthly cash flows are job #1, and nobody knows that better than those in retirement. While others chase market return or are willing to invest in the more sexier growth oriented companies, you may need to ignore such chatter and thoughts until your monthly income objective is achieved.

For those close to retirement, I'm not even considering adding to companies that yield less than 3%, even if that means companies I consider to be full positions are to be taken up in value. A full position is a limitation you decide to choose, but if you are selecting good companies, and the value of those companies continue to rise over longer time frames, then you have no choice but to raise the value of a full position.

With the market having more down days than up days, it can be nerve racking to see your portfolio value declining, but consider this, your income flows from dividends are still rising, and with share prices dropping, you are able to get higher yields at better values than you could a year ago. It's that income you need in retirement so you must learn to ignore share prices and focus on the safety and growth of your income flows.

Establish your income objective, make adjustments to secure it, and once that is achieved you can then invest in the lower yielding, higher expected growth companies.

As a retired person, believe it or not, it is more scary to me to sell shares and lock in profits as opposed to watching share prices drop. When I sell shares I'm selling an income source and those shares are gone, no longer able to contribute to the monthly cash flows. I'll sell shares to take advantage of situations if need be, but I would prefer to sit tight, ignore what most others are doing, and simply watch our income flows grow quarter over quarter. Our SS certainly didn't provide much of a pay raise this year over last but our portfolio generated a double digit increase in income, and as a retired person ya gotta love that. 08 May 2018, 05:53 AM

Comment from reader/Contributor >>> @PendragonY- Chowder, "Establish your income objective, make adjustments to secure it, and once that is achieved you can then invest in the lower yielding, higher expected growth companies."

I have that for the year, so if all my stocks just pay me over the rest of the year what they already paid, I'll beat my income objective by about 5% or $1300. And that is not counting dividends from new shares or dividend increases. That's why I am buying the lower yielding NEE today. "As a retired person, believe it or not, it is more scary to me to sell shares and lock in profits as opposed to watching share prices drop. When I sell shares I'm selling an income source and those shares are gone, no longer able to contribute to the monthly cash flows."

I am not retired and selling shares scares me more than price drops. Before I sell shares I plan for how I will replace the income they generate. And I am always thinking are these new shares sure to generate as much as the old? Will they increase their payments as fast as the sold ones? Are they as reliable? As I get closer to retirement (still more than 10 years away, but a lot less than 15), I find myself less and less willing to tweak things in the portfolio. 08 May 2018, 08:07 AM

Chowder >> Author's comment » I have been working with an Older Folk Portfolio where the time has come to ***"circle the wagons."*** ... I love it!

This is where cap gains get realized, lower yielding companies get sold, and we invest in higher yielding companies that produce two to three times more income now. ... It's all about now!

The income goals have already been achieved but we want a margin of safety, so in the coming days, don't be surprised if I say we are selling companies like BDX, DG, DIS, SWK, SYK, etc.

... I wouldn't sell any of these companies in a young folk portfolio, in fact I might add to them all if I could, but when you are ready to retire the focus becomes, what income level do I want to have now. ... This is an exciting time! I love this stuff, I know how to create relatively safe income flows. 08 May 2018, 10:43 PM

Chowder >> Author's comment » Taking the next step in our ***"circle the wagons"*** tactic for creating income.

Selling NKE, the remaining SWK and trimming YUM.
Adding to KMB .. DUK .. KHC .. JNJ .. WEC
NKE is yielding 1.1%
SWK is 1.7%
YUM is 1.7%
KMB is yielding 3.9%
DUK is 4.5%
KHC is 4.2%
JNJ is 2.9%
WEC is 3.5%

This portfolio is going to see dramatic income growth this year over last and when I report on it year end, people are going to question it. I'm showing you part of the process now, the other part is generic dividend growth from the companies themselves and then the reinvestment of dividends. 09 May 2018, 03:25 PM

Chowder >> Author's comment » Something for you older folks to consider if you are down on some of your positions. It's never fun to watch companies recently purchased turn around and correct 20% to 30%. Instinctively we stop adding shares as we think it may drop even further. What professional investors do, is they determine rather quickly whether the drop is company specific or industry/sector specific. If it's company specific, they sell and move on to better opportunities. If it's industry/sector specific they then know the drop in prices is temporary, simply a correction often caused by sector rotation.

Here's where it takes discipline in the management of your portfolio. If you still have confidence in the company to earn profits, and you have determined the drop in price is due to market conditions and not company specific conditions, add to your holdings and lower your cost basis. This allows you an opportunity to turn those positions profitable much quicker. Those of us who followed this approach during the Great Recession actually experienced this, this isn't theory, this is experiencing talking.

Think about it! 22 May 2018, 07:43 AM

Chowder >> **Author's comment** » Working with 2 old folk portfolios, in one today I added to O .. PEP .. PG and VZ.

In another portfolio, tomorrow will be adding to D .. DUK .. WEC .. SRE and PEP.

It's been a long time since utilities had these type yields and I intend on taking advantage of it. I'm staying focused on rising dividend cash flows and ignoring share prices. 06 Jun 2018, 05:29 PM

Comment from reader >>> **@maybenot-** PM with a 6.5% dividend increase.
Great opportunity to buy more PM. Who'd a thought it that PM would be in the 70's?
Nobody. 08 Jun 2018, 07:57 AM

Chowder >> **Author's reply »** @maybenot - I was hesitant to add to tobacco companies and said so in one of these blogs. In spite of that, I did add to PM earlier this week, adding to MO today. We'll see how it goes. 08 Jun 2018, 08:14 AM

Comment from reader >>> **@ jvincen2** - Great morning coffee news, a raise is a raise and while MO is the bigger position for me I also have a small PM one now too and it just got a little bigger all by itself. 08 Jun 2018, 08:43 AM

Chowder >> **Author's comment »** This increase by PM caught me by surprise, they raised it after 3 quarters, not 4. I had September down in my notes for the next expected announcement. Perhaps PM is trying to tell us things are better than the perspective offered by the market. I have a tendency to listen to companies more than the market and in doing so, I will add to these positions.

***Dividends don't lie.* ... Ha!** 08 Jun 2018, 08:48 AM

Chowder >> Author's comment » In an older folk portfolio today, there is a position in MA up near 100% in value and with its 0.50% yield, I have taken the profits, leaving the original investment intact, and will put that cash to work next week where I can generate 3 to 6 times more income than MA was providing.

Although the younger folk portfolios are experiencing success with MA, I am not making any changes there.

Moves are made based on personal goals, needs and desires and this person wants the income flow built with a margin of safety before retiring within the next year. That mission will be accomplished! 08 Jun 2018, 10:38 AM

Plan on trimming MSFT soon too. Other than looking pretty in the portfolio and satisfying the ego, a position up 80% or 100% isn't generating any more income than the initial investment. I know others are eat up with the capital gain concept, but I purchase assets that generate income and those income needs and desires must be met. So I use capital gains to help create more income. 08 Jun 2018, 01:06 PM

Comment from reader >>> @ emac99 - Hi, Chowder, "Plan on trimming MSFT soon too. Other than looking pretty in the portfolio and satisfying the ego, a position up 80% or 100% isn't generating any more income than the initial investment."

Question: does anything else besides the sub-2% yield factor into your decision to trim MSFT? Such as: it is 1 of only 2 US companies with an AAA credit rating. Or the consistently strong dividend increases (3 year average 11%, 5 year average 13%).

Plenty of companies offer higher yields right now, but not all have the quality or growth prospects to fund these kinds of future dividend increases.

I'm facing the same decision. MSFT has surpassed JNJ as our single largest holding (by valuation, not by monies invested). We own it in scale, so the dividend increases do contribute to income growth. But there's no question I could generate more current income short term by taking some profits on MSFT and putting them elsewhere.

Is MSFT the only remaining candidate for trimming in the portfolio you're looking to add income? emac 09 Jun 2018, 08:03 PM

Chowder >> Author's comment » You are bringing up subjects that are not the priority. MSFT may be a high quality company with high ratings, may have excellent dividend increases, but I can triple the income with other companies of quality.

Keep in mind, I am not doing this with every portfolio, only ones that are in retirement, or entering retirement, and want a margin of safety in income now. Not 10 years from now, but now.

I am not liquidating the position, I am trimming enough to lock in the unrealized gains. If I don't take those gains, the market will at some point, and those in retirement may not have the time to make them back like the younger folks do. This is why I manage young folk and older folk portfolios differently. They may own the same companies, in fact I expect them to, but how they get managed is different based on the goals, needs and desires of the people whose portfolio I am working with.

If I knew your goals and objectives, knew your personal situation, I may not be making the same moves, but there are folks out there closing in on retirement and their income needs or wants are not what they would like yet. I've reviewed enough portfolios to know this. So those are the people I am talking to. 09 Jun 2018, 08:16 PM

Comment from reader >>> @ emac99 - Okay, thanks for clarifying, Chowder. Very helpful. I'm in retirement, but in the early stages. So I need income now, but also 20 years from now. My big fear is inflation. So I will probably leave MSFT alone and look elsewhere for gains to redeploy for higher current income. emac 09 Jun 2018, 08:24 PM

Chowder >> Author's comment » You do what you think is right for you! That's all that should be important to you, not what I do.

I'll worry about 20 years from now once the income goal is met.

I've talked many times about coming up with a number you wish to achieve and when that number is achieved, then you can look forward.

I'm not working with pocket change portfolios here, and I'm looking to create six digit income figures each year, and doing it with a margin of safety. I always ask, what's the number. What income figure is it that will settle you down and eliminate your concerns and fears over market volatility. I will do what I can to meet that number so we can then go for more growth, both in capital gains and dividends. 09 Jun 2018, 08:43 PM

Chowder >> Author's comment » One more point on capital gains, what is the purpose of capital gains?

One would be to trim shares and put the proceeds in their personal banking account for living expenses or emergencies. Or two, to use to buy more assets that generate higher income.

I may not trim a company like XOM, D or MO with their 4% plus yields because they are hard to replace while maintaining quality, but I'll sell a 1% or less in a heartbeat. That's why they were chosen in the first place. 08 Jun 2018, 01:12 PM

Comment from reader >>> @ The ONLY Dividend Mantra - What I will be doing over the next couple of years:

I will be entering retirement in the next 10 months or so.

For me I'm stuck in between the older and younger portfolios.

If I find a stock that I believe needs to be trimmed, I do so but I never eliminate the whole position unless I lose confidence in the stock.

This year I trimmed BA, TGT, SBUX, MCD - and sometime in the future will re-add if they pull-back.

I recently trimmed MCD and added the proceeds to EPR and O.

This year {2018} my focus is adding to PM, PEP, KMB, CL, GPC, etc.

Next year {2019} my focus will be O, and the following year {2020} will be D, DUK, SO, NEE, SRE, WEC, ED, etc.

For how do I know this? I have a plan and I work my plan, also I will be allocating $50K per year and DRIP to ensure share count build-up is my ONLY focus.

For I know that I have been blessed for at 47 years old with my pension, it will more than pays all of my travel, and living expenses.

Therefore, I'm able to add a considerable amount and ensure that my dividends continue to throw off six digits now and in the future.

Just my plan - Plan your work and work your plan - success comes from developing a plan and tweaking it to achieve your OBJECTIVES. --ODM 09 Jun 2018, 10:47 PM

Chowder >> Author's comment » I am posting this here because it is being done in an older folk portfolio and these moves are not .. repeat .. not being made in the younger folk

portfolios. "Youse guys" can determine where you fit in the grand scheme of things.

I have a person getting ready to retire, wants a margin of safety in the amount of income to be earned before retiring. It's not a matter of need, but one of comfort. When you give up that steady paycheck, there's a certain comfort level that gets tested, we want to pass it. So here's what is planned for Monday.

We've been hoping yields would rise and they have, I think we need to take more advantage of them. I'm focused on yields above 3% and in looking at Simply Safe Dividends, I want safety scores above 75%.

With this in mind, here's what is planned for Monday:

Company .. Yield .. Safety Score: (100 is perfect)
PG ..... 3.8% ... 98
KO ..... 3.6% .. . 91
KMB .. 3.9% 90
CLX ... .. 3.1% .. . 88
GIS .... 4.6% .. 87

So it looks like dividends are relatively safe compared to other companies and we sold a 2.1% yielding company in SBUX to raise the amount of yields, thus more income. I'll look to trim more profits next week for cash to invest in the upcoming earnings season.

Now, in looking at his Ira, I think we need to take some profits and generate some higher income there as well. The plan is to sell all of his DG with it's 1.2% yield, but only sell in this account, we're keeping DG in the taxable account.

The plan is to sell all of his GD in this account only with its yield of 1.8%, we still have some in the taxable account.

He has a $20k profit in UNP with its 2.0% yield and the plan is to sell just $20k to realize the profits and keep the remaining position. When the sales have cleared, we will divide the total cash available by 5 and invest the equal amounts into:

PFE ..... 3.7% yield ... safety score 84
PSA ..... 3.7% yield ... safety score 94
MO ...... 4.9% yield ... safety score 85
SPG .... 4.7% yield ... safety score 78
CBRL .. 3.2% yield

The safety score for CBRL is just 64 but I'm wondering if their practice of paying the special dividend might be affecting that. They have paid one for 4 consecutive years, and we're not supposed to continue counting on them, but they are performing well and they are getting ready to pay another special dividend which will put this year's yield above 5%, so **I say git some.**

This is going to provide a nice boost to his income stream and we're not talking pocket change here. This is a portfolio of size and I fully expect to see 30% to 40% total dividend growth this year through regular dividend increases, some dividend reinvestment, and taking profits from lower yielding companies to add to higher yielding companies.

When you know what the objective is, and we do, we have a dollar amount goal, then it's much easier to manage a portfolio, much less confusion, much less uncertainty, and certainly a higher comfort level.

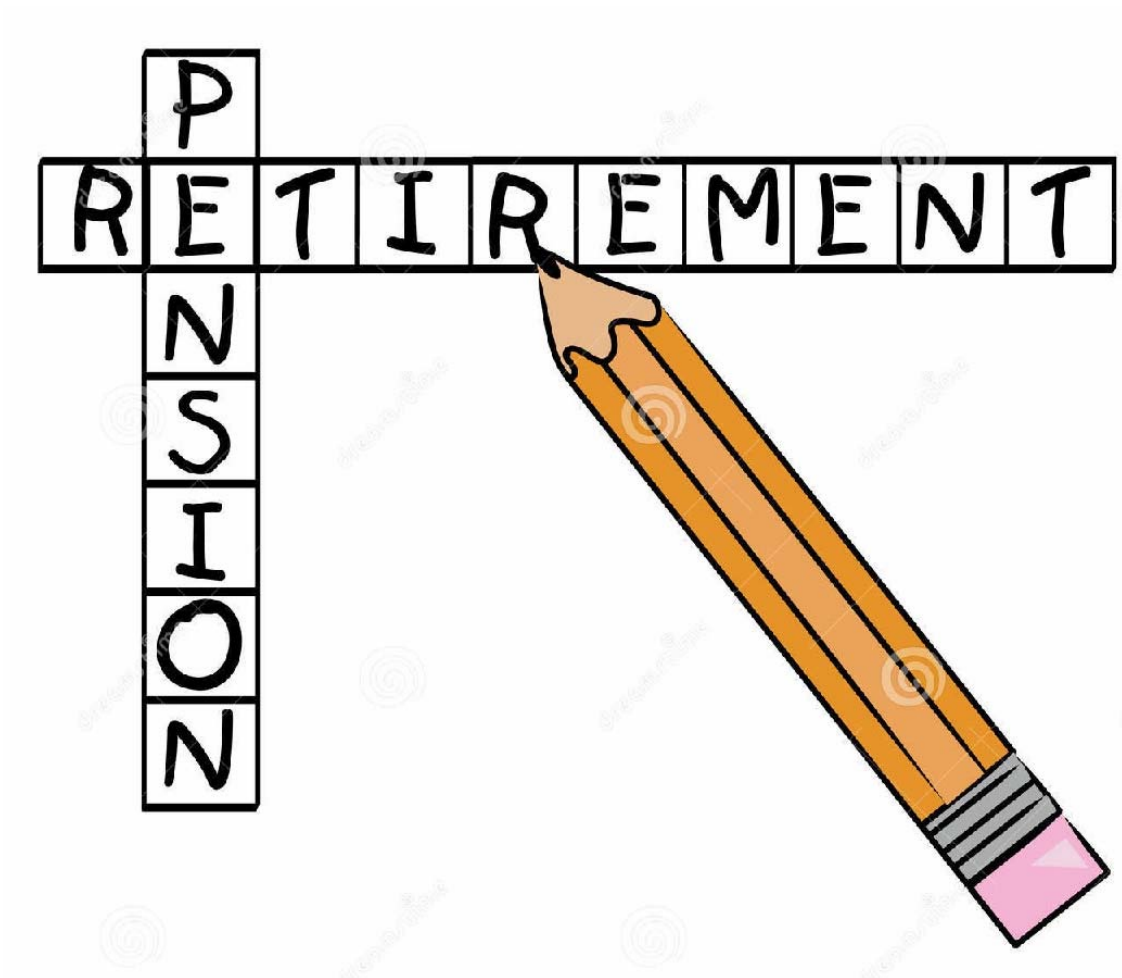
Just sayin'. 08 Jun 2018, 08:55 PM

Chowder >> Author's comment » I know some of you are wondering if selling low yielding, high dividend growth companies to buy high yielding, low dividend growth is the best way to go when you are looking out 10 years or more.

Let me ask you ... if you are 65 years old, are you willing to take the risk to find out? If at 75 you find out you made a mistake in waiting, how much time do you need to make it up? How much income have you lost in the meanwhile? And even if you don't make these changes, and you find out it was better to wait, how much peace of mind are willing to give up in the process?
So, should you follow my examples? ... It depends on what your objectives are. It depends on whether you are ahead or behind schedule. It depends on your risk tolerance levels.

People I help all own the same companies but the way they are managed are different based on each person's personal situation.

So think about it. What do you want your portfolio to do? It's as simple as that when you settle down and establish some goals. 10 Jun 2018, 11:15 AM


RETIREMENT
PENSION

OH Yeah !!!