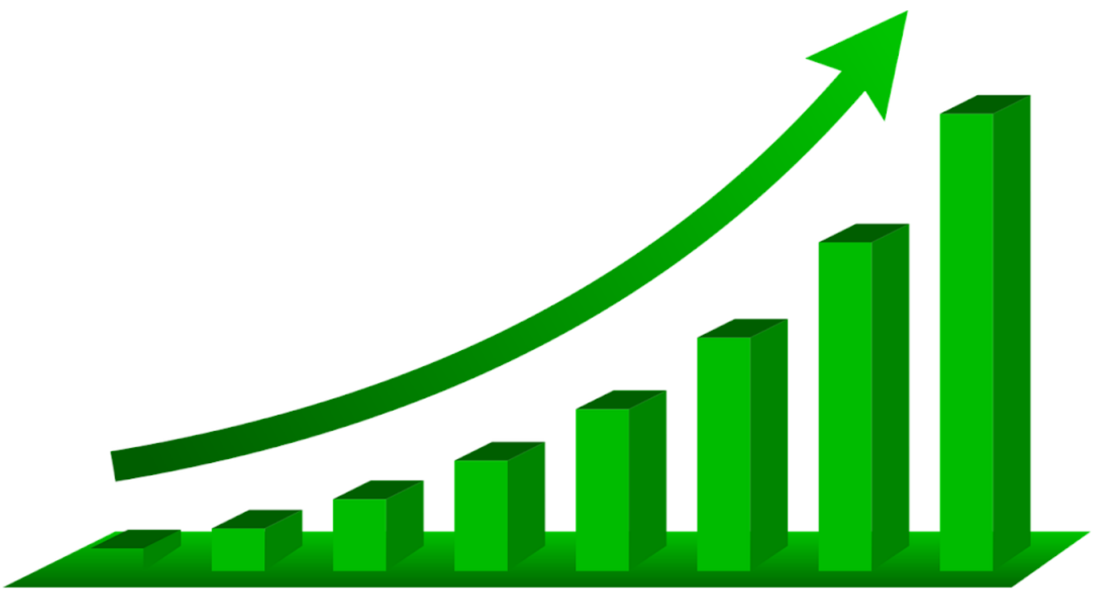
THE ULTIMATE GUIDE TO DIVIDEND INVESTING

PLUS DIVIDEND STOCKS TO BUY NOW



ZenectWealth.com

The Ultimate Guide To Dividend Investing

PLUS Dividend Stocks You Must Own NOW!

By ZenectWealth.com

The Rules For Investing In Dividend Stocks

"A large income is the best recipe for happiness I ever heard of."
- Jane Austen

What's the secret to successful investing?

If you ask me, Jane said it perfectly. I don't know a single person, who doesn't understand, that a regular healthy income solves lots of life's problems!

There are thousands of ways to earn a healthy income. But most of them involve a lot of work and effort.

Consider this quote:

"The rich continue to get rich the same way they always have - by understanding how money works and making their money work for them."
- Robert Kiyosaki

What Robert Kiyosaki says is absolutely true.

I've had the opportunity to meet hundreds of millionaires and a handful of billionaires in my time… and they all focused on making sure their money and their assets were working for them.

Every time they earned a dollar, they didn't spend it.

Every time they earned a dollar, **they put it to work.**

If you learn nothing else, commit this to memory. You can make a good income. You can work hard. But, if you want to be comfortable… if you want to be rich… Put your money to work for you.

The best way I know how to make my money work hard… dividend stocks.

Yep, good old fashioned dividend stocks.

I know deep down inside, you feel the same way. Otherwise you wouldn't have picked up this book. So, let's jump in and talk about a few important topics.

First we need to cover the rules of the road. It's all about the tips, tricks, and not so secret - secrets to dividend investing. Second, we need to jump into the numbers… there are four key metrics you want to look at on every dividend stock, we'll discuss them one by one.

Finally, we'll talk about taxes.

"In this world nothing can be said to be certain, except death and taxes."
- Benjamin Franklin

As Ben Franklin points out, taxes are a part of life… and death. If you're going to buy one single share of a dividend stock you're going to need to understand the importance of taxes… how the government makes itself an uninvited partner in your investments… and the best ways to keep your tax bill low!

Dividend Investing Ground Rules

Before you buy your first dividend stock, it's critical you understand the rules of the game. Think about when you were a little kid. The hardest part of learning to play baseball was learning the rules. Three strikes, getting tagged out, the infield fly rule… these were all rules you learned about.

Once you had the rules under your belt, you could focus on being a great baseball player!

Investing in dividend stocks is nothing different.

Here Are The 10 Rules Of Road For Dividend Investing

1) Get a dividend investing plan and stick to it.

Yes, this seems simple and it is. But too often investors go chasing the trade of the day. One moment they invest for dividends, the next they're investing for growth. Two weeks later they're momentum traders. It's a guaranteed way to lose money. So pick an investment style and stick with it. In our case, this entire book is a dividend investing plan focused on buying dividend paying stocks for the long haul.

2) Start NOW - don't drag your feet.

I love the quote, "The best time to plant a tree was 20 years ago, the second best time… TODAY!" Start today. Don't wait. Holding off for even a week or two can have a horrible impact on your wealth. Those of you who are young… you have an advantage - TIME. Use it!

3) Keep your investing plan simple.

I don't know how else to say it. The more complicated an investment plan, the harder it will be to follow. What I'm going to show you today is the simplest plan ever! You find great dividend stocks… you buy them… You collect fat dividend payouts!

4) Investing CONSISTENTLY is more important than investing BIG!

Many investors get hung up on the fact they don't have a million dollars to start with. Look around. Very few of us start off life with a million dollars. You can start buying dividend stocks with just a few hundred dollars. Many wealthy investors started by putting away a handful of dollars every month from their paycheck. Now re-read rule number 2 and get started!

5) Always invest for the long term.

This is a secret very few beginning investors understand. Many think investing is a sprint and they're in a rush to trade and make money. The wealthy make money over the long term… so, when you buy a dividend stock, do it for the long term This type of mindset will help you sidestep many investing mistakes!

By the way - this kind of thinking keeps the tax man away… we'll get to that more in a moment.

6) Understand what dividend stocks you're buying.

I can't tell you how many times I've heard an investor say he bought XYZ stock, but has no idea what they do. Most of the time, those trades end up losing money. Don't buy any stock, no-matter how good the deal, until you fully understand the company, and the investment. Do your research BEFORE buying the stock!

7) Be a business owner, not a stock trader.

If you really want to get into the right mindset, think of your dividend stock investments as you becoming a business owner. Once you own a business, you want to own the best, with the best outlook. You'll really dig in and understand the business model and the good, the bad, and the ugly of a company. You'll also be less likely to worry about market swings and changes in stock price. It's a great mindset to have!

8) Stock up when your dividend stocks are on sale...

When you go to the grocery store and find tuna on sale, what do you do? You stock up right? When a stock dips in price, what do people do? Often they panic. Don't be a lemming. Don't listen to the madness of the crowd.

Think of Warren Buffett. At the heart of the last recession, he was making huge, huge investments in some of the best companies around. When others were selling, he was greedily buying! Follow his lead and buy stocks on discount!

9) Don't avoid "Pass Through Entities" as investments.

What are pass through entities? They are companies like REIT's, BDC's, and MLP's. These types of companies own a basket of assets and because of their tax structure they can pass along more of their earnings to shareholders like you and me. However because the dividends are taxed differently, many investors are scared of these stocks.

There is a simple solution.   Just follow rule #6 and do your research… really understand how these businesses work… you'll be glad you did.

10) Finally, with dividend investing, boring is good.

Dividend Stocks will prove to be some of your best investments over time. Remember Warren Buffett - he's one of the richest guys around because he likes boring companies. Back in the year 2000, when everyone was focused on tech stocks, he bought ACME Brick Company. No kidding. A brick making company. He doesn't buy for excitement, he buys to make money!

There you have it, the 10 rules of the road for dividend investing.

If you follow these bits of advice, you'll not only make money over the long haul, you'll do something much more important. You'll avoid losing big chunks of your investment dollars.

You'll notice most of these 10 rules of the road were focused on the mental aspect to trading… focusing on boring stocks, thinking long term, always doing your research, starting with a plan, sticking to your plan…

But sometimes you need to buckle down and have a good idea of what to buy. How do you separate the one dividend stock from the thousands out there?

How do you find the winners?

How do you avoid the losers?

Let me help you out…

Four Steps To Dividend Investing Success

If you're doing an analysis on dividend stocks, there are hundreds of metrics you can look at. But before I share with you the four metrics I like to look at for every investment, let me share another idea with you.

Think big.

Yep, before you start looking at a single dividend stock and digging into the metrics behind it, take a step back. Step back and look at the bigger picture. First, ask yourself, how does this investment fit in with the rest of my portfolio? Then think about what's going on in the markets? What's going on in the economy? And, what's happening in the industry you're looking at?

Let's start with your portfolio.

Remember one of the rules of the road is to keep investing simple… and that means not having too many investments to look at. If you have 30 or more Dividend Stocks in your portfolio, you might consider evaluating what you own.

Can you really keep an eye on all of them?

In my opinion 20 to 30 dividend stocks is about right for the average investor, AFTER they've been investing for a few years!   Or, if you've got a million to invest, jump right in and spread your investments around… Diversification is important.

But if you're just starting out… don't try to buy 30 dividend stocks right off the bat. Start small and maybe invest your money in 2 dividend stocks, where you can comfortably buy at least 100 shares of each.

As a side note, try to keep your investments in round lots (a round lot is 100 shares of stock) it will make math easy, it will be easier to track, and it will reduce your costs, as some brokers charge extra for partial lots (less than 100 shares).

When you get your next chunk of money to invest, buy two more stocks, so now you have 4 dividend stocks total.

Then, repeat the process until you have 6 stocks… then repeat it again until you have 8 stocks…. Then do it again until you have 10.

I think (and some investing pros will disagree) that you should have a minimum of 10 stocks in your portfolio to be diversified. It may take a few years for you to get up to 8 or 10 different companies… and sometimes you'll have money, but will struggle to find a great new dividend stock to buy. That's OK… At those times, you can invest more cash in the companies you already own.

Once you get 8 to 10 stocks in your portfolio, consider adding more to these positions BEFORE you expand out too much.

Now here's a pro tip. As you start buying more shares and adding to positions, start being selective. If you find one stock is down, because of the market, but the business is still solid, buy more of it.

Once you have a portfolio of stocks, you want to look at each and every new addition as a way to strengthen your portfolio. So look for holes, gaps, and areas of overabundance.

In other words if you look at your portfolio and of the 10 stocks you own, 3 are in energy, you'll probably want to avoid adding more energy stocks. If you don't own any transportation or healthcare stocks, consider leaning towards those types of investments.

Trust me, the last thing you want to do is load up on oil stocks right before oil prices plummet 50% or more.

Stay diversified.

Once you know what kinds of investments will fit best into your portfolio, then you want to start looking at the Markets and the Economy.

If the market is falling, don't fight the trend my friend.

If you see the whole market is down week after week, this isn't a time to try and be a hero. Here's a professional tip… the strongest company's stock price will fall in the tidal wave of market selling. So don't fight it. Just sit tight, and wait for the market to stabilize.

It won't take long…

Then when you buy your next investment, you'll avoid suffering immediate losses… and no one ever complained about buying a great stock at a cheaper price!

Just don't try to time the market… that's a BIG INVESTING MISTAKE.

After you've studied the market and are confident it's not in a downtrend, then you want to look at the economy.

No sense buying stock when the economy is in the tank.

This takes a bit of study, but most of the time the economy is doing well, or stabilized at least. When the economy is in a big recession, and the market has been falling for some time, often you can find great investment opportunities.

What you want to do is avoid buying dividend stocks as the economy is entering a recession.

Most “Official Recessions” don’t last but a few quarters… so keep an eye out for good deals.

The vast majority of the time, you won’t need to worry about the economy, or the markets. But what you must watch out for is the industry dynamics.

The best example I can give is the oil market. For months and months and months, the lead news stories have been the falling price of oil. That’s a time when you want to avoid investing in oil and gas companies.

Just keep your eye on the industry dynamics and avoid trying to pick stocks in an industry that’s suffering from a major disruption.

By simply asking yourself these 4 questions… you’ll be able to narrow down the industries that deserve your focus. This will eliminate a lot of good companies that are in a bad environment. You don’t exclude them forever… you simply put them aside and consider them at a later date.

So you’ve narrowed down your list of great dividend stocks… What do you do next?

You do your diligence, and learn about the companies.

You read their website, you review their documents and press releases. You really get inside and understand the business that you’re buying into… because when you buy a stock you are becoming an owner.

A small owner, but an owner none-the-less.

Once you have studied the company and understand how it operates and makes money, then you want to look at the numbers.

Four Key Metrics To Research On Every Dividend Stock.

When you start your research, you want to start at one spot…

LOOK AT EPS

EPS is "Earnings Per Share". This is the metric by which all companies are measured. How much money did they make "per share"?

I don't need to say it, but I will… stay clear of companies with NEGATIVE EPS.

It means they have lost money… and it's really hard to send shareholders a dividend check if the company loses money.

While you're looking at EPS you want to study the rest of the income statement too.

Figure out what it is they sell, why they sell it, and how much money they make selling it. Look at the expenses too, it's not difficult. If you're studying a refiner and you see their major input is crude oil… well then, you know to monitor crude oil to see how well your investment is doing!

What you're doing is looking at the business and seeing how it operates. How do they make money… and what drives profits to the bottom line. Remember, at the end of the day, the more profits a company makes, the more dividends shareholders can collect.

Speaking of dividends, take that dividend payout and…

LOOK AT YIELD.

The yield of a dividend stock is simple to calculate.

Just add up the last year of dividend payments and divide that by the stock price. So if the stock paid out 4 quarterly dividend payments of $0.25… that's $1.00 in yearly dividends. Divide that by the stock price (say $12 a share) and you get $1.00/$12.00= 8.3%.

What this tells us is if the company continues to payout the dividend at the same rate, and if we buy the stock at $12, we will earn 8.3% on our investment.

Now a word of caution… higher dividend yields are not always better.

If you find a stock with a yield over 8% or 10%, consider it a RED FLAG WARNING! It could mean a few things… a very high yield means the stock price has fallen recently. If so, find out why. A high yield could mean investors are expecting a dividend cut in the future… so be wary. The company might be in trouble.

Finally, a very high yield might mean you've found a great deal!

It could mean you've found a stock that's overlooked by Wall Street, and it could pay you handsomely.

I once invested in a company that had a 25% dividend yield.

I did a ton of research and really thought the stock was undervalued. As a result, I captured a fat dividend, the stock price went up, and I made over 500% on my investment, before the company was taken private.

Also, I've seen investing oracle Warren Buffett take positions in some stocks when the dividend Yield spiked. It meant the price of the stock had fallen recently, but he still felt strongly about the business.

You can look at a 5 or 10 year average yield chart. I like to use ycharts.com for this.

You'll see how the dividend yield has changed over time. And it will give you a good feeling for the overall risk of the stock and the dividend.

Once you know how the yield looks, make sure to...

LOOK AT PAYOUT RATIO

The payout ratio is critical when evaluating stocks. What's the payout ratio you ask? It's the amount of a company's earnings that's given to shareholders in the form of dividends.

For example, if company XYZ shows a net income of $100 million in a year and pays out $100 million in dividends, the payout ratio is 100%.

It doesn't take a lot of brain cells to see that the lower the percentage the better off the company is. A low percentage means the company is making lots of money and isn't sending much of it to shareholders… It means, they may be ripe for an increase in the dividend.

I've yet to find a chart for dividend payout ratios for individual companies over time… but if you calculate the payout ratio over historical time frames, it's a great way to understand how the company operates. And sometimes you can anticipate when shareholders might see a dividend increase.

Speaking of dividend increases you also want to...

LOOK AT THE GROWTH RATES

As you're doing your research, you always want to look at growth rates… specifically three different growth rates… first the revenue growth rate, second the EPS growth rate, and third, the dividend growth rate.

Why is this important?

All things being equal, I prefer a company that's growing over one that's declining. Toss out short term dips and momentary "snags" a company might hit… and focus on the overall trend. Is the company getting bigger or smaller?

It's very difficult for a dividend to grow… and for you to get fat payouts if the company is shrinking sales, EPS, or dividends.

The best dividend stocks have been labeled Dividend Aristocrats. At the heart of an aristocrat is a stock that's grown a dividend 25 years in a row… it's very, very difficult to grow your dividend over time if the company is shrinking.

There you have it, 4 key metrics to look at with every dividend stock you research. Once you've put every stock you're considering buying though this research gauntlet, you're sure to find both good and bad things.

You'll see areas where certain stocks are strong, and where others are weak… and you'll understand what really drives the payout for your dividends.

But dividends don't stop there. Unfortunately, Uncle Sam wants his cut of your hard work.

You didn't think you'd get away scott free did you?

The Truth About TAXES On Dividend Stocks

Taxes are ugly. I hate paying them… but like you, I do pay my fair share.

That said, you don't just have to hand over your hard earned money to the government without a fight.

There are a few things you should know to help lighten the tax burden… and let's be honest, I'd rather spend my money than hand it to the government and let them waste it… and I'm sure you would too.

So, the first thing you need to know is: **Not All Dividends Are The Same!**

You have two types of dividends - Qualified Dividends and NonQualified Dividends

Qualified dividends are dividends that qualify to be taxed at a lower rate.

So when General Electric (GE), or most normal companies or ETFs pay a dividend, they pay a qualified dividend and it's taxed at a low rate.

If you're in the 10% or 15% tax bracket, your tax rate on qualified dividends is ZERO!

Yep, Nothing.

For those in the 25% to 35% tax bracket, your Qualified dividend tax rate is simply a straight 15%.

And if you're in the top tax bracket, congrats… your tax rate on qualified dividends is 20%.

But for NONQUALIFIED dividends, the tax picture changes. You pay taxes at your NORMAL INCOME RATE.

So let's say you're in the 35% tax bracket. You'd pay a 15% tax on Qualified dividends… BUT you'd pay a 35% tax on nonqualified dividends!

If you had $10,000 in dividend income, the difference in tax brackets is the difference between paying $1,500… and shelling out a cool $3,500 to the government.

“The only difference between death and taxes is that death doesn't get worse every time Congress meets.”
- Will Rogers

Now here’s where I’d normally rally against the government, call congress a bunch of idiots, and flip off the IRS. But not today. Today, I’m just going to say “*it is what it is”,* and let’s work with the system.

First, you already know a qualified dividend is paid by a normal company...

But, what’s a nonqualified dividend?

NonQualified Dividends are normally dividends paid out by REIT’s (Real Estate Investment Trusts), BDCs (Business Development Corporations), or MLPs (Master Limited Partnerships).

Why do they get taxed at a higher rate?

Well, these businesses have a special tax status… they don’t pay taxes at the corporate level… so they send their shareholders a bigger check, and the shareholder gets slapped with the higher tax bill.

So, how do we save ourselves some tax dollars?

Put these nonqualified dividend payers in your tax deferred account (Your IRA, ROTH, or 401K). The earnings there are tax deferred until you take the money out. So, it’s not exactly cutting the tax bill, you just put off the pain for a while… maybe years or decades!

Oh, and from a compounding standpoint, every dollar you don’t send to the government is another dollar you can put to work earning you more money!

One last thing… I’m not a tax accountant, professor, expert, psychic, or lawyer.

So, do the right thing and get some tax advice from an expert… I showed you the tax implications, have your tax guy explain the nuances and where and when it makes sense to make some moves.

Wow!

This chapter has gone on and on…

We talked about the Rules of the Road when it comes to dividend investing. We discussed some critical questions to ask yourself when it comes to dividend investing, we touched on four critical metrics to review when studying the dividend stocks you want to invest in... and we ended with a discussion of taxes and how to make sure you get to keep more of your hard earned money.

What's Up Next?

The Dividend Stocks You Must Own Now

In the next chapter, I'm going to present some really interesting dividend stocks I've found. It makes an interesting portfolio for someone looking to buy a basket of dividend stocks.

Just remember, before you buy any of these, do your own research, and make sure they are right for your situation. We identified 2,273 stocks that pay dividends.

They were normal companies, REITs, BDC's, MLP's, ETF's and every other company paying dividends.

We dug into stocks that pay dividends yearly, semi-annually, quarterly, even monthly. We looked at old stalwarts who've paid dividends for over 100 years… and stocks that just started paying dividends in the last few months.

We went digging and found some really interesting stocks.

Here's what we found...

The Dividend Stocks You Should Own TODAY!

Dividend Stocks Cheat Sheet

I used to outline my thinking behind each and every dividend pick… but then I realized most savvy investors were doing their own research, and reaching their own conclusions.

So, instead of jabbering on for page after page, about why I like these stocks, here they are in no particular order…

Full disclosure, some of these I own in my own portfolio… others I'm thinking of buying soon. Remember, do your own research, and consult your investing professional before buying anything!

Anyway, for a long term Buy and Hold, you can't go wrong - in my opinion - with these stocks.

- Wells Fargo & Company (WFC)
- Carlisle Companies (CSL)
- Realty Income Corporation (O)
- Discover Financial Services (DFS)
- Franklin Resources, Inc. (BEN)
- BP p.l.c. (BP)
- Colgate-Palmolive (CL).
- The Kraft Heinz Company (KHC).
- Merck & Co. (MRK)
- The Procter & Gamble Company (PG)
- Anheuser-Busch InBev (BUD)

There you have it… a number of news dividend stocks to add to your portfolio.

Conclusion To Dividend Stock Investing

What we've assembled here is nothing short of amazing. A guide to dividend investing overflowing with ideas, tips and tricks!

This guide covers it all.

It starts with an introduction to investing in dividend stocks. We cover why you want to put your money to work for you… and why dividend stocks are a great way to do it.

Then we expose the 10 rules to trading dividend stocks. These rules give you the tips, tricks and techniques to make sure your investments are always working as hard as you do.

At that point we cover 4 important financial metrics.

If you've ever researched a dividend stock before, you'll quickly realize the four metrics we uncover in our report will simplify your research, and make identifying the perfect dividend stock quick and easy.

And of course no discussion is complete without discussing taxes. Uncle Sam wants his fair share, and we discuss simple ways to keep his grubby, spendthrift hands, off our hard earned money.

We then go into detail uncovering the best dividend stocks for your portfolio.

In all we've researched and studied over 2,332 different dividend stocks to find the best ones for your portfolio.

It's a complete guide to investing in dividend stocks and includes the dividend stocks for your portfolio today!

We worked hard on this book, and hope you enjoy it.

Good Trading…

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