



Dividends

- Dividend investing is the strategy of buying stocks that pay dividends.
- Dividends are payments that a corporation sends out to shareholders as a “thank you” for investing in a particular stock. This allows the investor to receive a regular income from their investments.
- Dividend payments can occur yearly, quarterly, or monthly.
- This dividend income is in addition to any growth your portfolio experiences as the stock itself gains value.

The Appeal of Dividend Investing /

- **Safety and Stability:** Dividend investing is often considered one of the safer forms of investing. Companies that pay dividends are typically well-established and financially stable, with robust cash flows.
- **Compounding Wealth:** Dividends can be a powerful tool for wealth building, especially when reinvested. This compounding effect can increase the number of shares you own, leading to more significant dividend payments and potential capital appreciation.

The DRIP Method /

DRIP (Dividend Reinvestment Plan) investing involves reinvesting the dividends you receive to purchase additional shares in the company. This method can significantly increase the number of shares you own over time, leading to larger dividend payments in the future. A DRIP investor's long-term goal is to use their dividends to consistently increase their income with time.

Dividend Yield /

Understanding Dividend Yield: The dividend yield is a metric that shows how much a company pays out in dividends each year relative to its stock price. (Annual dividends per share divided by the price per share).

High-Yield Considerations: While a high dividend yield might be attractive, it's essential to perform due diligence. A very high yield might indicate potential financial troubles in a company.

Risks of Dividends /

- **Not Without Risks:** While dividends can provide a steady income stream, they are not risk-free. Dividends can be cut or suspended due to company-specific or economic challenges.
- **Growth vs. Dividend Investing:** Companies that focus on growth often reinvest profits back into the business rather than paying dividends. Investors might miss out on potential high growth in exchange for the stability and income dividends offer.

Types of Dividend Investments /

- **Diverse Options:** There are many types of dividend stocks and ETFs, such as SPHD (a low-volatility, high-dividend-yield ETF) and stable individual companies like Chevron, Coca-Cola, and AT&T.
- **Single Stocks vs. ETFs:** Investing in single dividend companies offers direct exposure to specific businesses, while dividend ETFs provide diversification across a basket of dividend-paying stocks.