Your 3 Phases OF BEING AN INVESTOR AND HOW TO PROFIT

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First Step Last

With your new Dividend Hunter Starter Kit, I have provided you a lot of information and guidance.

When you read and follow the instructions, you will move a long way towards your success as an investor and reaching your financial goals.

Plus, with your starter kit, you also receive a full year of support with The Dividend Hunter's monthly issues and other conte.t

While we each have a different financial situation, you can start to build your goals based on where you are in the accumulating wealth spectrum: from just starting to build an investment portfolio, to having sufficient wealth to fund your retirement (and making sure you stay that way).

You likely fall into one of three types of investors regarding what you plan to do with your investment portfolio:

- Phase One: Focused on growing your total portfolio. This means you are adding capital and reinvesting dividends.
- Phase Two: Focused on growing an income stream from accumulated capital for future withdrawals. This means you can reinvest most or all your dividend earnings.
- Phase Three: Drawing a retirement income. You are using dividend income to pay for your lifestyle. In this phase, you still benefit from reinvesting a portion of your dividends.

Determining where you are on this spectrum is the first step to your portfolio management plan.

Here are some basic Portfolio Rules:

- Strive to own all the current stocks on the Dividend Hunter recommendations list. I select stocks to provide as much diversification as possible in the high-yield stock universe.
- Track your quarterly dividend earnings. This is the best metric with which to evaluate your results. (It will also eliminate a lot of worry out of your life!) My recommendation is to use Investors Alley's Divcaster tool. You can find a full write up on the benefits of that tool HERE.
- Be aware that your brokerage account doesn't include dividends in return calculations.
- Remember that you are investing for the long-term. Years and decades. Reacting to short term stock market swings is not part of your plan!
- *Have a cash or fixed-income investments cushion as a portion of your long-term investment portfolio*.

As you build or manage your income stock portfolio have and refer to a written balancing strategy.

Here are a few ideas for that.

Put together a written outline of how you will balance your income stock portfolio. This is a plan that works for you to reach your goals. Below are three basic ones.

- Own an equal dollar amount of each recommended stock. This is an easy approach. It is obvious into which stocks you need to make additional investments. Risk of bad stock news is spread equally.

- Overweight towards higher yield stocks. For example, divide 70% of capital into the 10 highest-yield stocks. 30% in the remainder. This strategy provides a higher yield right out the gate.

  You will still have exposure to the lower-yield dividend growth stocks in the Dividend Hunter list. Consider this if you need to maximize income from the amount you have to invest.

  Don’t forget that a portion of dividend earnings should be reinvested. If you are a Phase Three investor, plan your withdrawals and reinvestments on a quarterly time frame.

- Overweight towards organic dividend growth stocks. For example, divide 70% of your capital into the 10 lowest-yield stocks. 30% in remainder.

  This strategy will benefit long-term from organic dividend growth. And it will be more likely to provide greater equity value appreciation. Rising dividend rates pull up share prices and minimize the potential impact of dividend reductions by the higher-yield stocks. This strategy should be seriously considered if you are Phase One or Two portfolio goals investor.

Handling Market Downturns and Upswings

Stock market downturns are emotionally tough and make us wonder if our strategies are working. You should have a plan for when one of your stocks takes off and goes up in value – yes it will happen and when your stocks go down – that happens too!

- Stock markets swing. It’s a fact. That is why we focus on building an income stream.

- We all know “buy low and sell high”. Easier said than done. Regular reinvestment of dividends makes it automatic.

- Your personal portfolio management plan should be your guide in downturns.

- Understand that individual high-yield stocks have volatile share prices. Heck, most of the time all stocks have volatile share prices.

- With big winners, think about partial sales and invest the proceeds into higher-yield stocks in your portfolio (If you follow my Buys of the Week every Tuesday this will be automatic for you!)

Final Thoughts

I am a Level One investor with a separate brokerage account in which I own every Dividend Hunter recommended stock. I add capital and buy shares every month.

This quote is so good (not written by me):

"Technology, it would appear, has de-evolutionized us. Evolution should make us more long-term because our thinking is more evolved, our science is more evolved, and as such our lives are longer. ***Instead, modern humans focus on headlines that have little to do with an unpredictable future and panic out at the time when they absolutely shouldn't.*** *What is remarkable to me is that awareness of this does not change behavior. Just because we know what we are doing is wrong doesn't mean we stop doing it. And so, the cycle of buying high and selling low persists as proven by the overwhelming evidence of it when looking at investor returns."*

Land, Fly or Die,

Tim Plaehn
Editor
The Dividend Hunter