

Boring Can Be Beautiful When It Comes to Dividend-Paying Stocks

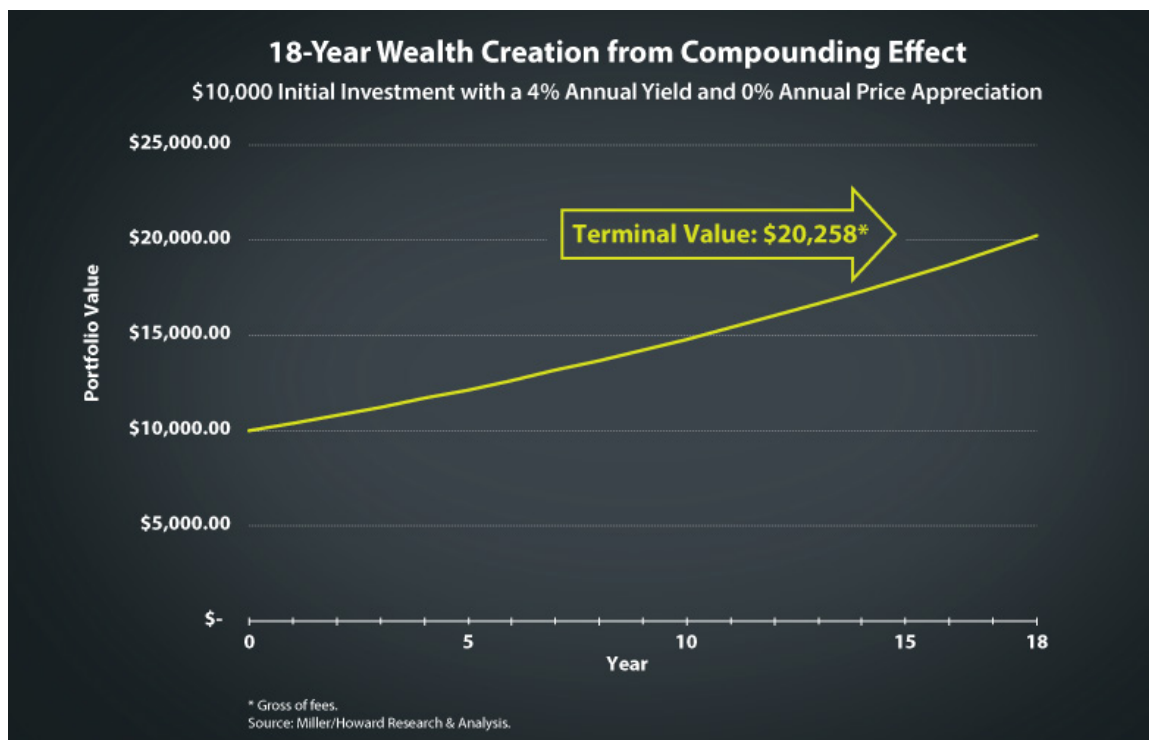
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At Miller/Howard Investments, we believe an important cornerstone of any good savings plan is to invest a portion of your savings in dividend-paying stocks, even if you are a millennial!

While many asset allocation theorists advise young investors to take on more risk because they have time to recover from a poor investment, we believe younger investors might benefit from doing just the opposite with a portion of their portfolio. Since millennials have a long time before they need their nest egg, they should put time and the mathematical principle of compounding to work for them.

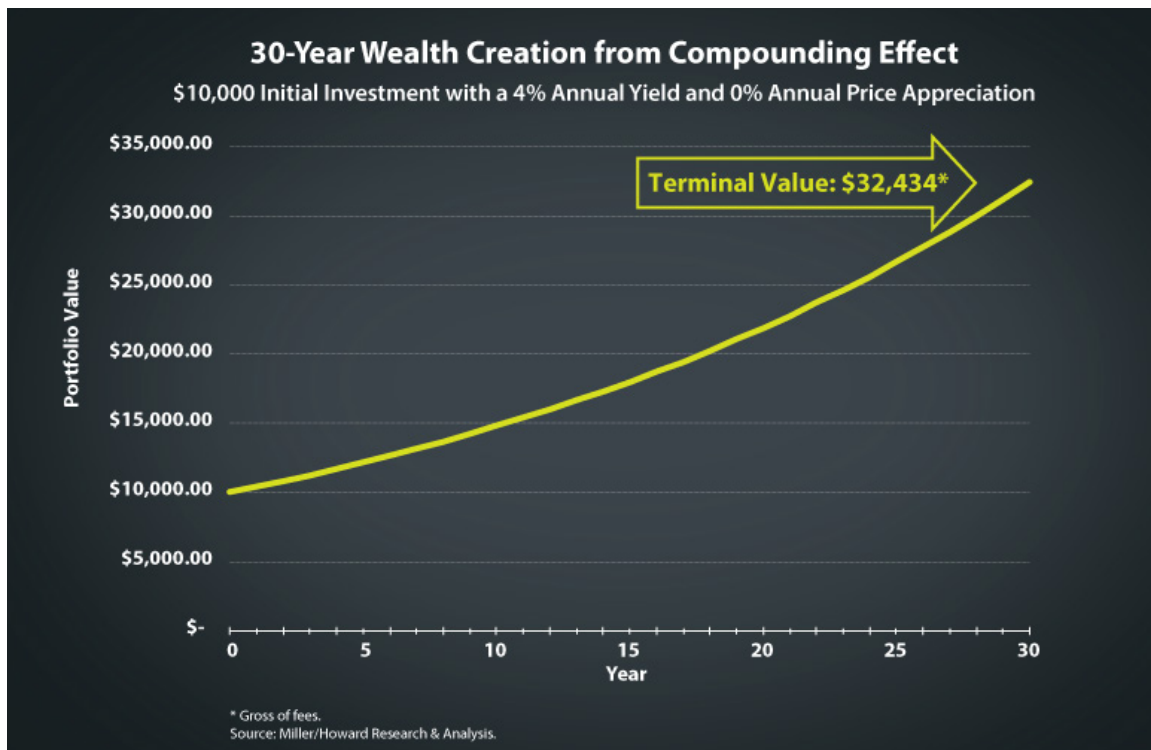
By using “boring” high-dividend-yielding stocks that can continue to pay their dividends, an investor can reinvest the cash flow from those stocks into more shares of high-dividend-yielding stocks, which will then generate even more cash flow...and the beat goes on!

Take, for example, saving for retirement or a child’s college education. Looking at this chart, you can see that even without any increase in the price of the underlying stocks (keeping fees and taxes out of the equation), a 4% dividend yield alone, reinvested over 18 years, can more than double a \$10,000 portfolio to over \$20,000.* Again, this is without any stock price changes—it is simply a portfolio of stocks that can reliably continue to pay their dividends.



Let’s now look at the same “boring” investment over a longer 30-year time period in the chart below. Assuming a 4% dividend yield, reinvested over 30 years, a \$10,000 portfolio can grow to over \$32,000.* From reinvesting those continuing dividends and assuming no change in the share price, an investor can enjoy dramatic wealth creation just from time and compounding.

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The amazing thing is that this “compounding machine” that the investor has created, doesn’t depend on the market going up, or the economy doing better, or Washington’s fiscal policy or tax policy, or the Fed’s latest move. It doesn’t depend on anything but the ability of the portfolio of stocks to continue to generate the same dividends every year for 30 years, so the mathematical principle of compounding can do its magic.

It is true that younger investors have a longer time horizon and can recover from a riskier investment that turns sour. But rather than just using time as a bandage to try to recover from a soured investment, perhaps it’s smarter to take a portion of that portfolio and invest in “boring” high-dividend-yield stocks and use the mathematical principle of compounding and time to help build your wealth.

* Gross of fees.



John E. Leslie III, CFA
Portfolio Manager

John (Jack) E. Leslie III, CFA, adds extensive experience in quantitative modeling and screening in the equity markets to his analytic strengths, and brings a high level of expertise in both fundamental and quantitative research skills, as well as experience managing large pools of institutional assets. Jack focuses on the materials, consumer staples, consumer discretionary, industrial, and healthcare sectors. Prior to joining the firm, he was a portfolio manager at Value Line Asset Management, M&T Capital Advisors Group (a division of M&T Bank Corp.), and Dewey Square Investors Corp. (now part of Old Mutual Asset Management). Jack has been interviewed by the *Wall Street Journal*, *Barron's*, *Fortune*, and *Forbes*, and been a featured guest on *TheStreet.com*, *After the Bell* on Fox Business, and *Money Life* with Chuck Jaffe. He earned his BS degree in Finance from Suffolk University and an MBA from Babson College.

Miller/Howard Investments is an employee-owned equity management firm with three decades of experience managing dividend-focused portfolios for institutions and individuals nationally. We emphasize high-quality stocks with high current dividend yield and strong dividend growth. Our portfolio management team has more than 175 years of collective experience in companies that pay and grow dividends. We offer environmental, social, and governance (ESG) portfolio options to our clients. Miller/Howard Investments, Inc., is a registered investment advisor focusing on multi-cap, core equity management and dividend strategies.

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Past performance is no guarantee of future returns, and none should be implied.

Common stocks do not assure dividend payments. Dividends are paid only when declared by an issuer’s board of directors, and the amount of any dividend may vary over time. Dividend yield is one component of performance and should not be the only consideration for investment.

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