

Dividend Geek Startup Guide -- Work Less, Retire Early with enough \$\$ to Enjoy the World and Help Others

How you can safely achieve financial freedom using conservative time-tested investment principles. Following this simple yet powerful investment strategy for 30 years will turn \$417 a month into a \$2 Million portfolio that generates \$460,000 a year in passive income. *Get info & updates at: www.DividendGeek.com*
 Here's what you need: 1.) Time – 30 years, 2.) Money - \$417 a month, 3.) Discipline and Patience – commitment to follow the plan, 4.) Sensible Plan – See below

Investment Plan Overview

Fund a Roth IRA with \$417 a month (\$5K/yr). Invest it in a diversified portfolio of 10-20 dividend growth stocks that average a 3.4% initial dividend yield and increase their dividend payment by 10% a year. We invest for income not capital gains so we never worry or are concerned with the price of the stock; instead, we monitor the annual increase in dividend payments and replace a stock if it fails to increase its dividends for two consecutive years. The powerful double compounding affect of increasing dividends that are reinvested for 30 years will amass a portfolio worth \$2M. After 30 years stop your contribution and dividend reinvestment and receive cash payments of \$460K a year in dividends (\$230K per year after inflation) of income to meet your living expenses and more. Ideally we never sell the principle, when we no longer require the income we have the principle transferred into a trust account so the income can continue to benefit our family and or favorite charity.

Investment Principles

- Invest for Income not Capital Gains – Prevents trying to time the market, a futile, self-defeating loser's game that underperforms
- Reinvest/Compound – It Works! Mathematically sound and exponentially powerful the earlier you start the better
- Dividend Growth – Strongest high-quality stocks with economic moats that have a long record of consecutive yearly dividend increases, turbo-charges compounding
- Diversification – Minimizes risk, stabilizes portfolio through business cycles, lowers investor's emotional swings
- Value Investing Margin of Safety – Improves long-term portfolio return and higher initial dividend yield by only buying at a discount to fair value.
- Dollar Cost Averaging – You automatically buy more shares low and fewer shares high with every reinvested dividend purchase
- Inflation Protection – High quality dividend growth stocks raising their dividend by 10% a year provide inflation protection when you start taking dividends
- Minimize Taxes – Use tax sheltered accounts, Roth IRA is preferred.

Get Started!

1. Open a Roth IRA online. I use E-Trade but any good discount broker will do.
2. Contribute \$5,000 a year to your Roth IRA (2012 IRS max contribution amount). Ideally setup an automatic savings program where \$416.66 (\$5K divided by 12 months) is transferred each month into your Roth IRA account.

Build Your Dividend Growth Portfolio (see DividendGeek.com for value rating)

1. Purchase stock in \$1K increments when they are 20% or more below fair value. Choose the stock with the deepest discount to fair value as long as it is below the 20% minimum discount. If there are no stocks at a 20% discount, skip making a purchase that month and look again the next month or when you receive an email notification from DividendGeek.com. Whenever possible purchase stock from a different sector, until you own stock in each of the 10 sectors.
2. Each time you have another \$1K in cash saved up in your account (every 2-3 months) look to purchase another \$1K worth of stock at the deepest discount, keeping your portfolio as balanced as possible between sectors.
3. Enroll each stock into a dividend reinvestment program (DRIP) let it compound, and grow the dividend for 30 years (your patience will be well paid).

Monitor Your Portfolio

1. Check the dividend payment status of your stocks quarterly
2. Sell and replace a stock if the following occurs:
 - Fails to increase the dividend for two consecutive years
 - Cuts (reduces dividend) or suspends (no dividend)
 - Is bought by another company (management change)

Figure 1 is a sample of Dividend Geek's 'Best Dividend Growth Stocks List' sorted by the deepest discount to fair value as of June 1, 2012. To see the current ratings of the full list of best dividend growth stocks go to: www.DividendGeek.com

Figure 1) Sample Best Dividend Growth Stock List

Sector	Stock Symbol	Dividend Yield	Average Dividend Growth Rate	# Years Consecutive Dividend Increases	+/- % Fair Value
Financials	AFL	3.42%	14.2%	29	-35.9
Materials	NUE	4.08%	24.0%	38	-34.8
Energy	CVX	3.73%	8.2%	24	-25.8

Track Your Progress

Figure 2 is a forecast of expected outcome based on contributing \$5K a year for 30 years into high quality dividend growth stocks that average initial yield of 3.4% and 10% dividend growth rate. Notice the exponential growth of total dividend income over time as the double compounding power of companies raising their dividend each year is combined with reinvesting dividends, which turns a \$150K investment into \$2 Million. The forecasted total values are based on John Mauldin's 17.6 year secular bull/bear cycle; where we end our current

secular bear market in year 5 followed by a secular bull market in years 6-22.5, and finishing years 22.5-30 in a secular bear cycle. Commission costs are not included. This spreadsheet is available for download at DividendGeek.com.

Figure 2) 30-Year Dividend Growth & Total Value Forecast

Yr	Total Amount Invested	Total Dividend Income	Forecasted Total Value	Annual Dividend Income
1	5,000	105	5,283	105
2	10,000	403	10,170	298
3	15,000	947	15,436	544
4	20,000	1,811	18,785	864
5	25,000	3,097	25,022	1,286
6	30,000	4,912	34,161	1,814
7	35,000	7,364	43,923	2,451
8	40,000	10,576	56,032	3,212
9	45,000	14,693	68,830	4,117
10	50,000	19,895	83,593	5,202
11	55,000	26,403	100,518	6,508
12	60,000	34,480	120,081	8,077
13	65,000	44,452	142,847	9,972
14	70,000	56,718	169,257	12,266
15	75,000	71,769	203,720	15,042
16	80,000	90,162	236,120	18,401
17	85,000	122,678	278,736	22,516
18	90,000	140,228	334,993	27,550
19	95,000	173,912	395,052	33,684
20	100,000	215,111	474,839	41,199
21	105,000	265,524	560,821	50,413
22	110,000	327,308	618,048	61,784
23	115,000	403,554	752,192	76,245
24	120,000	498,217	842,434	94,663
25	125,000	616,915	952,863	118,698
26	130,000	767,398	1,171,130	150,482
27	135,000	959,870	1,354,397	192,472
28	140,000	1,209,255	1,699,080	249,385
29	145,000	1,534,704	2,110,700	325,448
30	150,000	1,963,007	2,643,567	428,303

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