Use Dividend Growth Stocks To Enhance Your Returns

Everyone likes to find consistent ways to get good returns on their investments. After many years of investing, I have concluded that one of the very best ways to get good returns is to invest in Dividend Growth Stocks. While I have written other articles on this topic, I think we need to discuss the WHY this is a good idea.

Few investments that are safe can return a better than average 12% per year like Dividend Growth Stocks. The reason they do so well is that they are less volatile in down markets, and even if the market is down, those monthly dividend payments keep on coming in.

I've been reading a great book by a seasoned investor and author, Marc Lichtenfeld. His book is one of the best I have ever read to point out how easily he has been able to obtain over 13% annual returns by sticking with solid Dividend Growth Stocks. Get Rich With Dividends is available on Amazon and if you have the free Hoopla app tied into your phone, you can read the book for free.

Mr. Lichtenfeld points out in his book that Dividends are responsible for 44 percent of the S&P 500's returns over the last eighty years. They represent an excellent opportunity today, especially for investors who have been burned in recent meltdowns and are desperate for sensible and less risky ways to make their money grow.

I have been a proponent of the Dividend Aristocrats and Dividend Kings for many years. Click on the links above to read about each of these. While the rules to make these lists vary, not many companies have been able to make the list as these are solid companies who have steadily increased dividends for over 25 years. That means these are not fly by night companies, but seasoned solid companies who understand the ups and downs of the business world.

In Lichtenfeld's book, he brought up 3 new lists that I had never heard of called the Dividend Champions, The Dividend Contenders, and the Dividend Achievers. These are companies that may not be in the S&P 500 or have huge market share, but they have steadily year by year increased their dividends.

The Dividend Champions are selected by the Wide Moat Research Group. www.wideMoteResearch.com These are similar to Aristocrats in that they have raised their dividends for 25 consecutive years but they are not required to be in the S&P 500. Some of the small stocks on this list are truly champions. An example is First Financial Corp (THFF). They are a 188 year old bank that serves customers in Indiana and Illinois.

Dividend Achievers are stock that have raised their dividends for 10 to 24 consecutive years. Moody's Investors started this list in 1979 and today it is maintained by Nasdaq OMX.

There is an ETF that concentrates just on Dividend Aristocrats called NOBL.

NOBL - ProShares S&P 500 Dividend Aristocrats

I have owned it for years and the returns are always good.

What surprised me is that there are many ETFs tied to the Dividend Achievers.

Vanguard has one that I have used for years and it is great. VIG.

PFM is Invesco Dividend Achievers ETF which I purchased this week.

Another I purchased this week is PEY - Invesco High Yield Equity Dividend Achievers.

The Aristocrats and Achievers Lists are maintained by two institutional financial firms: S&P Dow Jones Indicies and the Nasdaq. Both are recalculated yearly.

Champions and Contenders are updated monthly by Justin Law of the Wide Moat Research Company. Only thing you have to do to qualify to be a contender is raise your dividend 10 to 24 years. No liquidity requirements. Not all Achievers are Contenders.

Study these lists out and see if you don't find some excellent companies. Marc Lichtenfeld also explained how there are other ETFs that track dividend stocks that I was unaware of. He personally picks all of this stocks from the lists and does not use any of the ETFs. If you are a small investor like me, these ETFs give you a broad range of companies that guarantee a lot of safety.

Here are some other great ETFs which I also purchased in the last 2 weeks:

TDV - ProShares S&P Technology Dividend Aristocrats. Tied just US Technology companies and shows up nearly 16% this year.

FID – First Trust S&P International Dividend Aristocrats. Companies outside the US with dividends raised for 10 straight years.

KNG – FT CBOE Vest S&P 500 Dividend Aristocrats Targe Income ETF. Just S&P 500 stocks that have raised their dividends for 25 years straight. They also sell covered calls to enhance returns. Be sure to read end of article about 4 new ETFs that are using this strategy and making huge returns this year.

LOWES is an example of a company that has raised its dividend for 50 consecutive years, but only yield 2.1%. Steady but not huge returns.

Be sure to read this book: Get Rich With Dividends

You will pick up a lot of information. I have not finished it yet, but so far it has been the best book I have read in the last 3 years.

The last thing I want to cover this week is the high flying Dividend ETFs that are yielding over 20% per month this year. Using options to get higher dividends is not new. Here is an article about ETFs that are returning high returns for me in the past two years.

By using Stop Loss orders to prevent loss on huge market drops, I have taken large positions in all of these. The top 2 are YMAX and MSTY. ULTY is the newest of the 4 and it is now paying weekly dividends rather than monthly dividends.

YMAX - Tidal Trust YieldMax Universe
SPYI - Neos S&P 500 Hi Yield ETF

ULTY - YMAX Ultra Option Income ETF
MSTY - Yieldmax Mst Option Income

Anytime something is returning above average returns you must be cautious. But these have for the past 2 months delivered 20 to 40% returns which is really good. With the Stop Loss orders set at 92% on all the ETF price, my maximum loss would be about 9%. So there so far has been quite a bit positive upside.

Stop loss orders are a deeper topic but needful to prevent huge stock market losses. I looked for the article I did on how to use Stop Loss orders back in 2022 and I did not repost it on the new blog site. Look for it in the next few weeks. Your broker can explain how to set these up.

I found these **YieldMax** and **Neos** ETFs from two of my Facebook investing groups. **Monthly Dividend Stock Investors** and the new **YieldMax ETF Group**. You will read a lot of ideas on postings in these groups. Be aware that you have a mix of seasoned investors and some who don't have a clue about the stock market. One fellow claims to be pulling in over $40,000 in dividends each month on a $200,000 investment. Is it true? I can't say for sure, but he has XLS sheets that support his claims.

So be very cautious in following their recommendations. One fellow today suggested to buy these highly paying ETFs using a Margin account. If you want to lose all your money on a short dip in the market, buying on margin will do that for you. A word to the wise: Don't use margins ever. Invest only money you can afford to lose.

On up markets with margin you would make more money. But if it dips like 20 percent, you will face a margin call from your broker and selling off depleted priced ETFs or stocks to meet that cash call will make you lose more than you want.

I like to be like Warren Buffet and follow his 2 rules. Rule #1: Never lose money in the stock market. Rule #2: Don't forget Rule #1. We all will make some bad decisions, but losing your base investment should be avoided if possible.

Dave Ramsey recently said that the average time for a day trader to lose all his money is six months. So moving money in and out of the market is not the way to get a good annual return.

As I always caution, only take these ideas as points to consider in making investment decisions. You should get advice only from qualified stock market analysts or brokers. My findings have been that people who make the most money in the stock market are slow and steady in their investing. They never invest in things they don't understand.