

Dividend Paying Stocks

the only stocks that pay you to own them

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Dividend Detective

www.dividenddetective.com

Free Lists:

800 High-Dividend Stocks

Real Estate Investment Trusts • Master Limited Partnerships • Canadian Royalty Trusts
Closed-End Funds • Business Development Corporations • Monthly Dividend Payers

Free Tutorials

Everything You Need to Know About:
Preferred Stocks • Closed-End Funds • Master Limited Partnerships
Real Estate Investment Trusts • Canadian Royalty Trusts

Winning Investing

www.winninginvesting.com

Home of Basic Training for winning investors;
dozens of tutorials valuable to investors of all skill levels.

About Dividend Stocks

How Do You Make Money On Stocks?

- Regular Stocks
 - Sell Them to Someone Else at Higher Price
- Dividend Stocks
 - Company Pays You to Own Its Shares
 - Dividend Stocks Can Go Up Too

Dividend Safety is Crucial

If Dividend Seen As Safe

- Dividend Will Reduce Share Price Volatility

Market Downtrafts Will Sink Dividend Stocks Too

- Won't Work for Short-Term Plays

Dividend Growth Helps

If Dividend Grows - You Win Two Ways

- Stock Price Appreciation
- Higher Yield to You

Dividend Basics

- U.S. Stocks: Most Pay Quarterly Dividends, some pay monthly
- Foreign Stocks: Could be quarterly, semiannual, or annual

Dividend Yield

- Estimated Next 12-Month Dividend Total
 - 4 x last quarterly dividend
- Current Price
- Yield = Est. Divs/Current Price

Unusually High Yields

- Market Sees Risk

Types of Dividend Payers

Common Stocks

Non-Taxed Entities

Closed-End Funds

Preferred Stocks

Common Stocks

Manufacturing & Service

- 1% - 3% typical dividend yields
- Price action reflects economic outlook

Large Banks

- 3% - 4%
- Fear of government takeover have smashed all large banks

Regional Banks

- 3% - 4%
- Down, but not as much as large banks.

Utilities

- 2% - 5%
- Relatively solid

Insurance Industry

- 3% - 4%
- Insurance Carriers
 - Most down on bad investment concerns
- Insurance Agencies

Oil Industry

- 2% - 3%
- Strong balance sheets
- Down with commodity prices

Non-Taxed Entities

Must Pay Out Almost All Taxable Income to Shareholders

- Can't Fund Expansion With Earnings
- Must raise expansion cash via borrowing or selling more stock

Master Limited Partnerships

- 5% - 8%
- Natural Gas or Petroleum Pipelines, Exploration & Production
- 90% of income must be from: real estate, commodities, natural resources
 - Alliance Capital Management
 - investment manager
 - grandfathered in
- Depend on Acquisitions or Pipeline Expansion For Growth
- Not Corporations
 - units = shares
 - unit holders = shareholders
 - distributions = dividends

Non-Taxed

Canadian Royalty Trusts

- 8% - 15%
- Oil & Natural Gas Reserves
- Tax Law Changes

U.S. Royalty Trusts

- Own oil & natural gas properties
- Depleting Assets
- Dividends vary with oil and natural gas prices

Real Estate Investment Trusts (REITs)

- Invest Solely In Real Estate
 - Property REITs
 - Mortgage REITs

Property REITs

- 4% - 7%
- Shopping Centers • Office Buildings • Apartments
- Healthcare • Lodging • Industrial/Distribution Centers • Diversified
- FFO (funds from operations)
 - Analysts's estimates are FFO, not EPS

Mortgage REITs

- 10% - 15%

Agency

- Buys U.S. Gov. insured mortgages from Fannie & Freddie
 - Borrows at short-term rates
 - Profit margin based on spread between short & long-term rates (yield curve)

Non-Agency

- Buys or originates residential and/or commercial mortgages
 - Holds or sells to third parties

Business Development Corporations (BDCs)

- 9% - 10%
- Lend to and take equity interest in Mid-Sized Companies

Closed-End Funds

- 4.5% to 7%
- Managed Mutual Funds
- Sells fixed number of shares at IPO
- Shares trade like stocks, supply vs. demand sets price
- Equities and/or bonds
- Trades at premium or discount to NAV
- Managers can deploy funds without worrying about redemptions or new money
- Many CEFs use borrowings to improve returns
- Must distribute 98% of earned income and realized capital gains annually

Preferred Stocks

More Like Bonds Than Common Stocks

- 4.0% to 7.5%
- Sold mostly by banks, REITs, and insurance companies to raise cash
- Usually no capital appreciation
- Buy for steady income
- Usually only interest rate risk
 - Preferred prices drop when market rates rise & vice versa
- Must pay preferred dividends before common stock dividends

Current Conditions

- U.S. takeover of Fannie Mae & Freddie Mac: suspended preferred dividends
 - All preferreds sunk
- Many preferreds trading in the \$14-\$20 range (\$25 issue price)
 - Higher yields 7% -15%
 - Price appreciation potential: 50% +
 - Higher Risk - Issuer could fail

Terminology

- Callable: issuer may redeem shares at 'call price' at any time after the 'call date.'
- Coupon Rate: yield when first issued
- Cumulative: issuer must pay any missed dividends before it 'calls' the shares and before it pays any common stock dividends.
- Market Yield: yield based on current trading price
- Non-Cumulative: issuer not obligated to pay missed dividends

Researching Preferreds

- Quantum Online (www.quantumonline.com): detailed info on every preferred
- MSN Money (moneycentral.msn.com): quotes, charts, dividend history
 - download free Deluxe Toolbox
- Evaluate issuing company

Ticker Symbols

- MSN Money & Quantum Online
 - Issuing firm-pref. series: e.g. Bank of America (BAC) series I: BAC-I
- Yahoo
 - Issuing firm-P + preferred series: e.g. Bank of America series I: BAC-PI
- Your Broker
 - Anybody's guess
 - use symbol lookup

Analyzing Dividend Payers

Main Objectives

- Minimize Risk
- Dividend Safety

High Dividend Stocks Tend To Move With Their Industry

- Understand Industry Prospects
 - Separate Short-Term Issues From Long-Term Trends

Dividend Stability & Growth is Most Important Factor

- Check Dividend History
 - Yahoo (finance.yahoo.com)
 - Best Prospects Have Strong Historical Dividend Growth

Min Long-Term EPS Growth Forecasts: 5%

Debt Ratios Don't Apply to Many Dividend Stocks

- Banks, mortgage REITs and other financials always carry high debt. For them, borrowed money is their inventory.

Dividends Paid From Operating Cash Flow - Not Reported Earnings

- Non-cash accounting entries such as depreciation reduce earnings, but not cash flow.
- Dividends vs. earnings ratios (payout ratio) meaningless for most firms.

Dividend Risk Factors

Credit Meltdown Risk

- Risk of serious financial problems triggered by inability to refinance debt.
- Debt expiring next 12-months vs. cash and assets convertible to cash
 - Low Risk: 0% - 40%
 - High Risk: 100%+

Leverage Risk

- Risk that elevated credit costs will depress earnings.
- Operating earnings vs. interest expenses (last 12-months)
 - Low Risk: ratio 6+
 - High Risk: ratio 0-3

Dividend Cut Risk

- Risk of a dividend cut triggered by a business slowdown.
- Dividends vs. operating cash flow (last 12-months)
 - Low Risk: 0% - 50%
 - High Risk: 80%+

Dividend Screens

Google's User Friendly Stock Screener

Access from finance.google.com

Stock screener run 1/22/09

Criteria	Min	Company Distribution	Max
Market Cap	1B		397.93B
Div Yield (%)	3.5		462
Last Price	5		88801
Total Debt/Equity (Recent Qtr) (%)	0		10
Return On Equity (TTM) (%)	10		75652
Institutional Percent Held	40		95.01

Company Name	Symbol	Market Cap	Div Yield (%)	Last Price	Total Debt/Equity (Recent Qtr) (%)	Return On Equity (TTM) (%)	Institutional Percent Held
Abercrombie & Fitch Co.	ANF	1.77B	3.54	20.29	7.76	26.24	93.62
AllianceBernstein Holding LP	AB	1.42B	14.50	16.23	0.00	19.48	42.88
American Eagle Outfitters	AEO	1.91B	4.38	9.28	5.42	20.49	72.62
Analog Devices, Inc.	ADI	5.51B	4.26	18.93	0.00	22.08	82.85
Chevron Corporation	CVX	142.12B	3.81	69.95	8.01	29.54	63.59
Erie Indemnity Company	ERIE	1.91B	4.98	37.10	3.21	10.92	40.88
Gentex Corporation	GNTX	1.19B	5.24	8.54	0.00	13.63	86.81
Intel Corporation	INTC	71.30B	4.36	12.82	5.09	12.93	64.04
iShares Barclays 7-10 Yr Treas. Bd (ETF)	IEF	3.21B	4.53	96.20	0.00	10.06	81.39
Patterson-UTI Energy, Inc.	PTEN	1.48B	6.83	9.56	0.00	17.92	92.32
Paychex, Inc.	PAYX	8.89B	5.02	24.64	0.00	44.83	68.38
Public Storage	PSA	10.47B	3.67	61.79	7.24	12.91	69.91
T. Rowe Price Group, Inc.	TROW	7.28B	3.56	28.16	0.00	24.66	72.51
Zenith National Insurance Corp.	ZNT	1.18B	6.42	31.79	5.59	11.92	91.47

MSN Money's Deluxe Screener

Access from moneycentral.msn.com

run 1/22/09

Screening Criteria

- Current Dividend Yield >=3.5
- Current Dividend Yield <=15
- Return on Equity >= 5
- Avg. Daily Vol. Last Q >= 200,000
- Last Price >= 5
- % Price Change Last Qtr. >=0
- % Price Change Last Month >= 0
- EPS Growth Next Year >= 5
- Mean Recommendation >= Hold
- 6-Month Relative Strength >= 60
- % Institutional Ownership >= 40

*Lots of errors in dividend data.
Verify everything*

Symbol	Company Name	Last Price	Div. Yld	Industry Name
ATG	AGL Resources Inc	31.00	5.4	Gas Utilities
AEP	American Electric Power	31.85	5.1	Electric Utilities
AVA	Avista Corp	19.56	3.6	Diversified Utilities
BKH	Black Hills Corp	25.50	5.4	Electric Utilities
CMO	Capstead REIT	10.26	13.4	Mortgage Investment
CNP	CenterPoint Energy Inc	12.75	5.8	Diversified Utilities
CVX	Chevron Corp	69.95	3.7	Major Integrated Oil & Gas
CNL	Cleco Corp	21.92	4.1	Electric Utilities
ED	Consolidated Edison Inc	40.05	5.8	Diversified Utilities
LLY	Eli Lilly and Co	37.80	5.1	Drug Manufacturers - Major
HCSG	Healthcare Services Group	15.33	4.3	Business Services
ITW	Illinois Tool Works Inc	33.63	3.6	Diversified Machinery
KFT	Kraft Foods Inc	28.91	4.1	Food - Major Diversified
LO	Lorillard Inc	62.31	5.9	Cigarettes
LZ	Lubrizol Corp	34.62	3.5	Specialty Chemicals
MAT	Mattel Inc	15.40	4.9	Toys & Games
NU	Northeast Utilities	23.49	3.6	Diversified Utilities
NWE	NorthWestern Corp	23.81	5.6	Diversified Utilities
NSH	NuStar GP Holdings LLC	18.39	9.2	Oil & Gas Pipelines
NVE	NV Energy Inc	10.49	3.8	Diversified Utilities
PGN	Progress Energy Inc	39.18	6.4	Electric Utilities
PEG	Public Service Enterprise	30.48	4.2	Diversified Utilities
VVC	Vectren Corp	25.36	5.3	Diversified Utilities
VFC	VF Corp	55.03	4.3	Textile - Apparel Clothing
XEL	Xcel Energy Inc	18.44	5.2	Electric Utilities

Recommended Web Sites

ADVICE & TIPS

CXO Advisory Group's Guru Grades (www.cxoadvisory.com): Tabulates the market forecasts of major market commentators including how many times each guru got it right.

The Kirk Report (www.thekirkreport.com): Daily report full of stock ideas, market views, tips on strategies, and much more.

Trader Talk with Bob Pisani (www.cnbc.com): Pisani reports from the floor of the NYSE for CNBC. He writes two or three short, but insightful squibs each day giving his take on what's moving, and why. He's very good at spotting which market sectors are taking off, and which are sinking.

ANALYSTS RATINGS & FORECASTS

NewRatings (www.newratings.com): Compilation of recent analyst ratings changes, including a synopsis if the analysts' comments accompanying the change.

Yahoo! (finance.yahoo.com): Best formatted report for analyst estimates, and one of the few sites that give you revenue (sales) forecasts.

CHARTS

Big Charts (www.bigcharts.com): The Web's first really good charting site is the only site I know of where you can see charts showing P/E ratios, eps and dividends.

Stock Charts' Historical Charts (www.stockcharts.com): This is the place to see a chart of the DJ Industrial Index going back to 1900, or a chart of the S&P 500 back to 1960. You can also see historical charts for the Nasdaq, 30-year Treasuries, and for gold prices. Stock Charts is a good resource for Point & Figure and candlestick charts.

COMPANY RESEARCH

MSN Money's Stock Scouter (moneycentral.msn.com): Uses a sophisticated formula to come up with a total score representing the expected stock price appreciation during the next six months. MSN Money is also a good source of fundamental data such as income statements, balance sheets and cash flow statements.

Morningstar's Grades (www.morningstar.com): How many of us have time to analyze financial statements? Now, we don't have to, because Morningstar does the heavy lifting for us.

SEC Info (www.secinfo.com): One of the few remaining free resources for SEC reports.

CONFERENCE CALLS

Seeking Alpha (seekingalpha.com): Listening to conference calls for all your stocks is impractical because most last at least one hour. You can save time by scanning a written transcript for the information you need. Seeking Alpha provides free transcripts of most quarterly report conference calls.

DIVIDEND INFO

Quantum Online (www.quantumonline.com): The only free resource for detailed information on preferreds.

Yahoo Finance (finance.yahoo.com): Best site to review dividend history. Get a price quote, select 'Historical Prices' and then select 'Dividends Only.'

MUTUAL FUND INFO

Morningstar (www.morningstar.com): Best source for mutual fund data. Also has good stock info.

SCREENING

Closed-End Fund Association (www.cefa.com): Best place to screen for closed-end funds.

Google's Stock Screener (finance.google.com): Very easy-to-use stock screener good for simple searches.

MSN Money Deluxe Screener (moneycentral.msn.com): The only remaining full-featured free stock screener. It will take some time to learn, but it's worth the effort.