My Thoughts: Dividend Stocks
By: Andrew Schultz

Finding investments that generate income for those that need income from their portfolio has been increasingly hard in the low rate environment that we have been in. One investment class, often overlooked by fixed income bond investors, is dividend paying stocks. A couple of reasons for this may be that stocks are perceived by many as being very volatile in value and as not paying large enough dividends to be viewed as an income producing investment.

Well I agree. Stocks can be volatile in value. In fact I believe one should be prepared for up to approximately 50% volatility in a diversified stock portfolio when at its worst. But Bonds can be volatile too, and are not necessarily less volatile in value than stocks. I also agree that many quality stocks do not pay large enough dividends to be viewed as income producing investments. BUT some do. The challenge is to find the quality dividend paying stocks among the many dividend paying stocks that are not quality. This typically can be left to a high quality portfolio manager, which specializes in dividend strategies, to try and figure out.

With the recent pull back in the market I feel we have a better entry point to buy these types of stocks, and yes, they could get even cheaper if the market were to pull back more. But, in my opinion, the average dividend yield that these investments currently provide due to the recent price drop is now worth taking advantage of regardless of the potential future volatility that may transpire.

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