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The Dividend Guy Investment Process Part 5: Initial Dividend Stock Screening

FEB 2 Posted by EdR

The Dividend Guy Investment Process Part 5: Initial Dividend Stock Screening

The Dividend Guy Investment Process Part 5: Initial Dividend Stock Screening

Posted by **The Dividend Guy** in **The Process**

4 Comment

There are literally thousands of stocks available to choose from. Not all pay dividends and not all are good investments (not by a long shot!). When building a portfolio and looking for stocks to further analyze, there are a couple of places I believe dividend investors can look to get started. These are the resources and tools that I use to screen for dividend stocks in my investment process.

Dividend Screen #1

The first place I look for dividend stock ideas is the place to find the cream of the crop in terms of companies that consistently increase their dividends. It is the S&P Dividend Aristocrats list of companies. However, rather than just starting there, I like to also look at the S&P High Yield Dividend Aristocrats list. Both of these lists contain companies that have followed a policy of consistently increasing dividends every year for at least 25 consecutive years. However, I like the high yield list as it simply provides higher dividend payments among the companies that consistently increase their dividends. Might as well go for some more yield if you can! This list includes companies such as Coca-Cola, General Electric, and Procter & Gamble.

Dividend Screen #2

The second screen I use also looks at the number of years of dividend increases, but is not as stringent as the S&P list. Mergent's Dividend Achievers includes companies that have increased their dividends for at least 10 consecutive years. The number of companies on this list is much larger than the S&P list so it certain provides more options for further analysis.

To see more of my articles about Dividend Aristocrats and Dividend Achievers, please see my post, High Dividend Achievers vs. High Dividend Aristocrats.

Dividend Screen #3

Another tool I use to identify dividend stocks for further analysis is the MSN Money Investment Toolbox. This is a stock screener that allows investors to input reams of criteria to come up with a list of stocks that I do further analysis on. Here is the criteria I use to filter stocks (as presented in this post):

1. 5-Year Dividend Growth greater than or equal to 10
2. Current Dividend Yield greater than or equal to 1
3. Current Dividend Yield greater than or equal to Div. Yield: 5-Year Avg.
4. Annual EPS Growth Rate greater than or equal to 10
5. P/E Ratio: Current less than or equal to S&P 500 Average P/E Ratio: Current
6. Debt to Equity Ratio less than or equal to 0.5
7. S&P Index Membership equal to S&P 500

These are the three resources I goto to come up with a list of stocks to complete further analysis on. However, I do not simply buy off the lists. I do further fundamental analysis on each and every stock I consider buying. In Part 6 of my process series, I am going to start describing how I complete fundamental analysis on stocks I buy.

Similar posts:

- Top 7 Screening Criteria When Using Online Screening Software to Find Dividend Stocks
- A Valuation Exercise: The Dividend Achievers and Price to Sales
- A Valuation Exercise: The Dividend Aristocrats
- High Dividend Achievers vs. High Dividend Aristocrats
- Some New Additions to The S&P 500 Dividend Aristocrats

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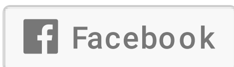

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The Dividend Guy Investment Process Part 10: Reinvesting Dividends

FEB 2 Posted by EdR

The Dividend Guy Investment Process Part 10: Reinvesting Dividends

The Dividend Guy Investment Process Part 10: Reinvesting Dividends

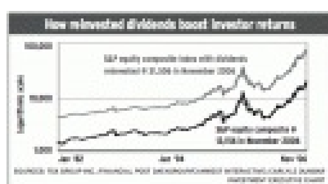
Posted by **The Dividend Guy** in **The Process**

11 Comment

Wow, we are getting to the end in series of posts titled, The Dividend Guy Investment Process. Today's post is going to talk about something that I am very passionate about – **reinvesting dividends**!

When an investor receives dividends from a dividend stock, they have two choices. The first is to take the dividends as cash and accumulate them in a brokerage account as cash to be withdrawn at a later date. The second option is to immediately take those dividend payments and use them to purchase more stocks, either in the same company or into another company. My choice is to take the dividend payments and accumulate them and buy the asset that is most out of balance within my target asset allocation.

My rationale for reinvesting my dividends is best described in an article I came across on the **AIC website (pdf)**. The image below explains it all – from 1982 the TSX index returned 863% without reinvesting dividends and 1,705% with dividends reinvested. That equates to a lot of additional value created because of the reinvestment of dividends.



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The next post in the series will be the last and will show my portfolio makeup and review I do on a monthly basis.

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- 1. The Dividend Guy's Guide to Building a Dividend Portfolio: Introduction
- Some Recent Transactions
- Tracking Dividend Hikes Is Not Easy But it Can Be Done
- The Four Important Dates for a Dividend Investor
- The Dividend Guy Investment Process Part 11: My Portfolio

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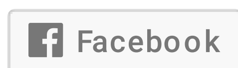

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The Dividend Guy Investment Process Part 3: My Asset Allocation

FEB 2 Posted by EdR

The Dividend Guy Investment Process Part 3: My Asset Allocation

The Dividend Guy Investment Process Part 3: My Asset Allocation

Posted by **The Dividend Guy** in **The Process**

Updated September 9, 2009 Selecting an asset allocation means you are putting your risk profile to work in a way that balances the risk and reward in your overall portfolio. **It is also the factor that contributes the most to a portfolio's return.** Read that again. It is also the factor that contributes the most to a portfolio's return. To illustrate this, think of investing like a funnel:

Click to Enlarge

This funnel is derived from research presented by Ken Fisher in his book, **The Only Three Questions That Count**. 70% of investment returns come from an investor's asset allocation and only 10% comes from security selection.

The right asset allocation balances the volatility (i.e. standard deviation or risk) in a portfolio with the expectation of certain returns. My approach is to take on as little risk as possible but enough that will allow me to beat the market returns over time. There is a great deal of research that has been done to identify what these optimal asset allocations are. I use **William Bernstein's** work as my primary guide to determine my asset allocation. In addition, I use the work suggested portfolios over at **Sound Investing** on asset allocation to help. However, I differ slightly from his methods as I do invest in a small portion of individual dividend growth stocks.

Coming up with an asset allocation does not need to be overly complex. An individual can choose to hold as few as 4 asset classes or as many as they want. They key is finding something that you can manage and keep track of. Based on the research from Bernstein and Sound Investing, and my desire to take a very active part in my portfolio, I have determined that my target asset allocation is going to look like this:

Individual Accounts	Ticker	Asset Classes	Target Allocation
Canadian Equities		Asset Class	10%
iShares CDN Value Index Fund	XCV.to	CDN Large Cap Value	3%
iShares CDN SmallCap Index Fund	XCS.to	CDN Small Cap Blend	2%
iShares CDN REIT Sector Index Fund	XRE.to	CND REIT	3%
CDN Individual Stocks	Various	CDN Individual Stocks	2%
U.S. Equities		Asset Class	24%
Vanguard Value VIPERs	VTV	US Large Cap Value	6%
Vanguard Small-Cap Value ETF	VBR	US Small Cap Value	8%
iShares S&P SmallCap 600 Index	IJR	US Small Cap Blend	2%
I-Shares Russell Micro Cap Index	IWC	US Micro Cap	1%
Vanguard REIT Index ETF	VNQ	US REIT	3%
US Individual Stocks	Various	US Individual Stocks	4%
International Equities		Asset Class	30%
iShares CDN MSCI EAFE Index Fund	XIN.to	Int'l Large Cap Blend	6%
iShares MSCI EAFE Value Index	EFV	Int'l Large Cap Value	8%
WisdomTree Int'l Small Cap Div Fund	DLS	Int'l Small Cap Blend	8%
Vanguard Emerging Markets VIPERs	VWO	Int'l Emerging Markets	5%
iShares S&P World ex-US Property Index	WPS	Int'l REIT	3%
Fixed Income		Asset Class	36%
CDN Short Bond Index	XSB.to	Fixed Income	18%
CDN Real Return Bond Index	XRB.to	Fixed Income	18%
Cash		Cash	0%
			100%

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The most important thing I do to manage my portfolio is to ensuring that my actual asset allocation tracks my target asset allocation. At least once a year, I will rebalance my portfolio. Since I tend not to sell index funds, I use additional funds deposited into my accounts to purchase my way to the target allocation.

Next, I am going to cover the more sexy part of investing – the building of a portfolio. In Part 4A I will talk about building a core portfolio. Part 4B will discuss how I add oomph by buying dividend growth stocks.

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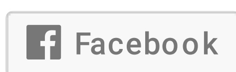

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The Dividend Guy Investment Process Part 2: My Risk Profile

FEB 2 Posted by EdR

The Dividend Guy Investment Process Part 2: My Risk Profile

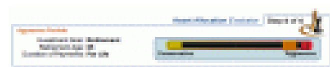
The Dividend Guy Investment Process Part 2: My Risk Profile

Posted by **The Dividend Guy** in **The Process**

3 Comment

Risk is a crazy thing. Take on too much and you either crash and burn or you make out like a bandit. Take on too little and you either just float along or you make out like a bandit. The "trick" is figuring out how that happy medium that you will be comfortable with. I have spent some time determining what my risk profile is.

For a definition of the most common risk profiles, see this post **here**. There are a lot of tools on the web to help determine risk profiles, but the one that I like the best is at the **TIAA-CREF** website. It is quick to do and the results work.



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My results from the tool are presented above – I am classified as an Aggressive, which means:

You can tolerate volatility and significant fluctuations in the value of your investment because you realize that historically, equities perform better than other types of investments. You're looking for long-term capital growth and are less concerned with shorter term volatility.

This profile does not mean that I will not hold any fixed income assets in my portfolio – only that my focus and the majority of my portfolio will be focused on equities.

My risk profile is going to set the framework for decisions down the road, especially in terms of asset allocation. With this profile, I know that I can withstand a good deal of risk with the expectations that I will receive higher returns. Put another way, I will be comfortable having a higher percentage of my portfolio in equities as opposed to fixed income assets. This feeds directly into my chosen asset allocation, which I am

going to talk about in Part 3 – My Asset Allocation.

Similar posts:

- Bought Some More Fixed Income For My Portfolio
- Investment Risk Profiles
- Why Asset Allocation is Important to my Dividend Portfolio (and my current allocation)
- Quarterly Portfolio Review – What a Difference a Month Makes
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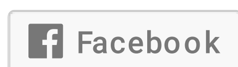

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The Dividend Guy Investment Process Part 1: Introduction and The Dividend Guy Code

FEB 2 Posted by EdR

The Dividend Guy Investment Process Part 1: Introduction and The Dividend Guy Code

The Dividend Guy Investment Process Part 1: Introduction and The Dividend Guy Code

Posted by The Dividend Guy in The Process

Updated January 26, 2009 In early December of 2007, I wrote a post about how I would invest if I were just starting out. In that post I provided my

thoughts on how any beginner investor should start building a portolfio of stocks. I then realized that although I talk about my approach to investing on this blog, I have never have provided a linear and complete view of my overall process. Thus, I am kicking that off today. Today begins a series of posts that will build into complete insight into The Dividend Guy Investment Process.

By the end of the series, you should have a very clear picture of how I manage my investment portfolio. This is not to suggest that this is the right way to build a portfolio, but rather so you can provide me with your feedback and to let me know if there is anything you do differently. I do not pretend to know everything about investing by any means, and part of my purpose for running this blog is to continually learn.

To get things going, I want to list whart I am calling The Dividend Guy Investing Code. This is a code of conduct, or prinicples so to speak, that I use to guide my overall potfolio decisions. It is useful because they are based off of researched and proven investing best practices. Any time I am making a decision for my portfolio I consider these and make sure that decision is in line. Here they are:

Overall principle: To conserve investment capital through the selection of a sound and diversified portfolio.

To achieve this I will:

1. Pick an appropriate and well diversified asset allocation and stick with it through thick and thin
2. Invest in a passive investing manner – use index funds as the primary building blocks for my portfolio (except in Employee Pension Plan where not all asset classes have index funds as an option)
3. Supplement, using a small percentage of my overall portfolio, with only the best and strongest dividend growth stocks
4. Generate a reliable and growing stream of income from dividend stocks
5. Maximize my employer contributions to both my pension plan and my employee savings plan
6. Only invest in companies I understand
7. Buy only companies that are selling at a discount
8. Only invest in companies that are dominant in their industry
9. Only invest in companies that have strong fundamentals (EPS, Revenue, ROE, etc.)
10. No individual stock holding to make up more than 10% of overall portfolio
11. If a company cuts its dividend, then immediately sell that stock and move money to another dividend growth stock (according to asset allocation)

In Part 2, I am going to talk about My Risk Profile.

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Buy Berkshire Hathaway, Technology, Or Both? – Seeking Alpha

Buy Berkshire Hathaway, Technology, Or Both?

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Today's Market Strength. This market has been very forgiving, edgi
cautiously, as if tip-toeing around a much-touted correction. Com
ten years ago, we have had such a broad-based rally. It's not all ab
technology, but tech stocks have shown incredible strength. Bern
been quite outspoken recently that the financial market can give t
economy a boost and in turn help the employment situation.

As if to emphasize that caution, Steve Jobs taking medical leave
apparently caused the stock index futures to take a dive. Will we h
another gap down reversal like last week, or will Mr. Jobs health a
overall health of the market? Seems like a silly question, but appa
the bears will use any excuse, and then the bulls immediately start
the micro-dip. Apple (AAPL) shares sold off 7% in Europe Monday
markets are closed.

The Market Gives, and the Market Taketh Away. I remember 1999 li
yesterday. Qualcomm (QCOM) was the best performing stock in o
best performing years in stock market history. Lots of short term
were made, and in some cases lost by greed or ignorance or both.

Investors and traders got rich if they took their profits. However, I
many frightening stories of those who finished deep in debt becau
kept buying the dips during and after the bubbly blow-off. Not onl
many of them bought the dips on margin and went from being up a
million American dollars to being in debt to their broker, and in de
IRS.

If a trader made money in 1999 with large capital gains, and then
money to pay the IRS by April because the Nasdaq started to crash
March 2000, then that trader would be in a tough spot. Sell rules a
important as buy rules.

How Different from A.D. 2000. In 1999, and especially into the first
the year 2000, it seemed like the more the Nasdaq went up to astr
levels, the more people began to doubt the investing genius of Wa
Buffett. So many became absolutely arrogant, throwing insults a
statements of pity at the Oracle of Omaha. Just like in 1929 when
eminent Yale economist, Irving Fisher, actually said that the mark
reached a " *new* permanently high plateau," people were saying th
just didn't get it, and that we were in a " *new* paradigm," or a "new

See the chart below of the popularity of these two terms in publis
books over the past 110 years as captured and graphed by Google
Ngrams.

click to enlarge images

For over two years we have seen retail investors pile into Treasury, municipal, and corporate bonds, but especially Treasury bonds to point, seemingly, of a bond bubble. Now, all of a sudden (it seems) saying that too many investors and newsletter writers are bullish.

In only one quarter, actually it's probably more like one month (Dec 2010 was perhaps the turning point) we had a shift from investors continuing to be afraid of the stock market…to being too bullish. T several points in stock market history when bullish investment adv were too plentiful, such as in 2003, and this continued for months many missed the rally. The last 10 years have produced many doub for good reason.

Broad-Based Buying. What I'm seeing now is actually quite amazin the past month, I have witnessed buying coming into so many sect rotating from one sector to another almost on a daily basis. Many groups within technology have experienced significant amounts o like IDCC, IDT, NVLS (on Friday), and our old friend QCOM. AAPL, G EBAY are due to report earnings this week, and have also been quit bullish.

And yet with all that technology buying, the financial sector was t performing on Friday, for the week, and even for the past month. W Fargo Bank (WFC) is one of the largest holdings in the Berkshire po (the historical concentration has been in financial companies), ar looks to be coiled for a big move (see chart below). The action of Berkshire Hathaway stock (BRK.A and BRK.B shares) looks ready f move (see chart below).

Of course, it may seem rather absurd applying any sort of technica analysis to Berkshire Hathaway charts. If you're buying the "A" sha which are trading for $122,474 per share, you would probably wan entry point.

We have been buying Citigroup (C) for over a year and Bank of Ame
for the past month, adding to it last week. J.P. Morgan Chase (JI
shown surprising strength before and after earnings last week. Cit
(C), Morgan Stanley (MS), Bank of America (BAC), Wells Fargo (W
Goldman Sachs (GS) report earnings this week. JPM's earnings re
Friday gave good reason to believe earnings in other bank stocks w
good. The financials (especially banks) are expected to show very l
growth rates largely because of easy year-ago comparisons. Howe
will be a tough act to follow for the other banks.

Stocks With Potentially Pre-Explosive Moves

I have seen buying in WYNN (expect a 600% profit surge for the fou
quarter), which looks ready for a bullish continuation move out of
flag. See also CWEI (other bullish stocks in the group with good
fundamentals are CXO, NOG, GEOI), PRGO (and IPXL in the group)
AKAM(ARUN, FFIV, LOGM, RAX in the group), LEA (AXL, TEN, GNT
MGA),PCLN (TZOO and EXPE – these all have amazing patterns, a
latter two are much lower in price if that makes you more comfort

Perfect Storm Not Limited to Finance and Tech. My recent article on
(published 12-14-2010) just before earnings proved to be worth th
research, and we are up over 15% in a little over a month (this is th
largest holding in our portfolio). JOYG also had some nice buying
on Friday. Our largest position (which keeps getting larger) by far i
and it has held up remarkably well. I would refer you to the January

article in the Investor's Business Daily on the "Perfect Storm" for agriculture stocks which was published last week. This article not to be particularly attractive. Also, last week the Department of Agriculture's crop report sent grain prices up, helped also by flood Australia and drought in Argentina.

Conclusion

The so-called perfect storm in agriculture related stocks leaves m pondering: There has been so much buying in both technology and financial stocks (regional and money center banks, mortgage insu even housing stocks) and yet a completely unrelated area has been referred to as the "perfect storm." Could be a generational alignm could last two or more years. Many money managers are skeptical rally, but they have been buying anyway.

The kind of end-of-year "drifting up" behavior in the market has no seen for 110 years, according to Investor's Business Daily research many money managers were expecting, almost with certainty, a co in early to mid January. The longer that correction doesn't materia more they worry that they are getting behind the curve and missing move. Qualcomm (QCOM) is strong again, trending up since July 2 below 35 to 52 on Friday's close. But technology stocks are almos side note in today's environment compared to the Technology Bub 2000.

Disclosure: I am long BAC, C, JOYG, CXO, GNTX.

About the author: **George Chadwick**

The recent financial devastation coupled with becoming the new pension plan point very clear opinion) to the need for control. Control your 4 don't let it control you. Max out not merely you contributions to it, but max out it's performan a disciplined and consistent… More

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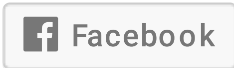

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The Intel Transformation: From Growth Stock to Value Stock – Seeking Alpha

FEB 2 Posted by EdR

The Intel Transformation: From Growth Stock to Value Stock – Seeking Alpha

The Intel Transformation: From Growth Stock to Value Stock

5 comments | January 18, 2011 | about: INTC

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This article isn't about the transformation of Intel (INTC) from a company to a diversified chip manufacturer involving smartphone tablets. Rather, it is to offer what I believe is a primary reason why stock price has languished for years despite record-breaking earni

Ray Merola

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solid revenue growth, strong cash flows, increasing dividends, and consistent, if not flashy, future business projections: The stock is transforming from a **growth stock to a value stock.**

Intel shares have been wandering the wilderness for years. In Octob Iwrote an SA article that outlined how Intel shares were being trea like those of a utility stock than technology shares. The premise ha changed much. As of December 31, the iShares Utility ETF (IDU) l trailing PE ratio of 15X and sports a yield of 4 percent. The fund ha about 1.6 percent to-date. Intel closed last Friday with a multiple and a 3.4 dividend yield. The shares have risen 0.2 percent to-date. INTC is being viewed as having somewhat less future growth prosp than a utility company. The dividend yield is competitive with man and the dividend growth rate is superior.

The transformation from a growth stock to a value stock can be a arduous haul. As growth investors move away from a stock, the sha drifts nowhere. Selling begets more selling and investor disappoint creates a self-fulfilling prophecy. Nearly all of the company news i interpreted in a negative light. The PE multiple is driven down. Larg institutional “growth” investors cash out, not to return. Eventually value investors begin to move in, seeking a “bargain.” Their screens for equities with low multiples, consistent cash flow, dividend yiel growth, and demonstrated earnings stability.

Sounds familiar? Intel stock has spent the better part of the past years wandering, in a sort of equity twilight. Share prices topped o growth play in 2003 and 2004. The transition from a growth to a va stock began in 2005 and meandered into 2007. Cash flows and EPS essentially flattened out, aimless from 2004 through 2007. Nonet the levels at which these figures meandered remained consistently During this same time period, cash flow per share remained in the Meanwhile, the dividend tripled.

The transformation process was put on hold during the Great Rec and associated stock market meltdown of 2008 and 2009. Indeed, often the case with stocks, Intel’s situation was not catagoric, bu contained a subplot. While transforming from a growth to value pl shares also retained elements of a cyclical tech stock. Therefore, recession put a double-whammy on the company: While in the mids growth/value transition, the stock got pounded when the economy into a free fall. Finally, beginning in late 2009 and into 2011, the consistent signs and signals of a value stock are being reinforced.

In addition to the fundamentals falling into place, the technical c offer some confirmation. Below is the ten-year monthly chart. Not

on-balance volume trending up and breaking the zero line since 20
suggesting that the big players are noticing, despite the share sta
EPS, also shown on the chart, has likewise ramped up.

INTEL TEN-YEAR MONTHLY CHART

Bottom line: I envision Intel attaining recognition as a value play in
Large investors will find the PE multiple, cash flows, yield and divid
growth rate attractive. I forecast earnings over the next two years
$2.25 to $2.45 range. Placing a 12X-13X multiple on the EPS trans
into a share price between $25 and $32 a share, depending upon h
bullish one forecasts. Starting at $21, and including dividends (wh
now increased eight years in a row), that's a decent return for the
investor.

Disclosure: I am long INTC.

About the author: **Ray Merola**

Private investor focusing upon a diversified por
emphasizing dividend growth / income. Advoca
fundamental investment analysis, confirmed b
technical charts. Options strategies employed
generate additional income, reserve a long posi
stake an occassional short-term trade.

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My Library for Stop Loss and Limit Orders

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Stop Loss and Limit Orders

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Stop Loss and Limit Orders

4 comments

November 9th, 2010 The Dividend Ninja Investment

Investing is a percentage game. The lower you can buy a stock and the higher you can sell, then the more money can be gained. But in reality finding the exact bottom or the exact top of a stock is impossible, and most investors will tell you when to sell is the most difficult decision. The key is to use charts to buy a stock near its 52-week low and then firmly decide when you are going to sell (or buy and hold). Using Stop Loss and Limit orders helps you achieve these goals, and protects you from downside risk. Whether you are an active trader, or a buy-and-hold dividend collector, Stop Losses have an important place in your investment strategy.

Buy with a Limit Order

When you buy a stock never buy at market price, especially if a stock has gained a lot of attention in the media. There are too many considerations during the trading day. For example, if you wanted to buy Potash Corp. on Aug.17th 2010, unaware that there was take-over bid looming by BHP, you could have ended up buying the stock at its take-over high of $147 instead of $117! In order to protect yourself when buying a stock, always use Buy with a Limit Order (an order to a broker to buy a specified quantity of a security at or below a specified price). So the Limit is the maximum price you will pay for buying the stock.

Sell with a Limit Order

If you are buying a stock that consistently trades within an established sideways pattern, consider placing a Sell with Limit Order (an order to a broker to sell a specified quantity of a security, at or above a specified price). This is best used when the stock price is increasing, and you can set the order for 30 days or Good Till Cancelled (GTC). Once your stock reaches that price or above, it will automatically sell at the Limit Price or higher. For example if you are buying a stock like EnCana (ECA-T) that trades between $28 and $32 per share, consider placing a Sell with Limit Order at $32. You know ahead of time that your return on the stock will be $4 or 14% return of investment. Of course, you do miss the potential upside breakout, but you do know exactly what return you will get on that particular stock. Selling with Limit Orders takes the emotional equation out of investing, and forces you to take profits. The problem with this

type of order however, is you have no downside protection – hence using a Stop Loss Order (see below) is a much better trading tool.

Sell with a Stop Loss Order

A Stop Loss Order (Stop Order) is an order to sell a specified quantity of a security, for which the specified Stop Price is equal to or below the current market price. You select Sell on Stop with your broker, and then set the Stop Price at what price you want to sell your shares. For example if you own Pengrowth Energy Trust (PGF.UN-T), and you think that $12 is the support level you want to sell, then you would place a Sell On Stop with a Price of $12. This helps to protect you against downside protection, but allows you to keep the stock while it rises in value. It's like buying cheap insurance for your stock investment.

So with a Stop Loss Order you get the benefit of hanging onto a rising stock, but with the added protection of selling if it starts to decline. A Stop Loss Order is also useful when you have just purchased a stock, and you are unsure of its direction. A Stop Loss order can also help you from hanging onto a losing stock, by forcing you to sell sooner than later.

However, a Stop Loss Order can have a double edged sword. If you set your Stop too close to the market price you could end up selling early on a false downward breakout or minor correction. Secondly, any value between $0 and the Stop Price is a sell. So the stock could drop 50% in value and you could end up selling half your investment. That's why using a Stop Loss Limit Order is a better option than a Stop Loss Order.

One important note is that with most discount brokers (such as TD Waterhouse), you must have a minimum 100 shares (or more with penny stocks) to execute a Stop Loss Order. So if you trade in odd lots, you may not be able to use this type of order. In this case pre-determine your maximum loss (by percentage or charts) and sell if your stock goes below that price. Hanging onto a losing stock and hoping for a rebound is more often than not a bigger loss!

Sell with a Stop Loss Limit Order

A Stop Loss Limit Order is an order sell a certain quantity of a security at a specified Stop Price or lower, but only if the share price is above a specified Limit Price. In other words using the example of Pengrowth Energy (PGF.UN-T) above, you could set a Stop Loss Order with a Stop Price of $12, but also with an additional Stop Limit of $11. This means you will only sell your shares if the price of the stock falls below $12, but is also above $11. The advantage of a Stop Loss Limit Order is if the price falls too sharply you don't sell. This is an advantage if you are holding a stock and you only want to take profit within a certain price range, else

buy and hold.

Using a Trailing Stop Loss

The best of all worlds is the Trailing Stop Loss. This is a Stop Order in which the Stop Price is set at a fixed percentage below the market price. If the stock price rises, the stop loss price rises proportionately. But if the stock price falls, the Stop Price remains the same. A Trailing Stop Loss allows for maximum possible gains on a rising stock, while keeping the added protection from downside risk. The Trailing Stop Loss is only available to active traders, day traders, and with more expensive trading platforms. However with a bit of time you can manually revise your Stop Loss Orders on a weekly basis.

Stop Loss versus Buy and Hold

Much evidence points to the fact that long term buy and hold investors, and index investors, have higher returns than investors who trade frequently. However many buy and hold investors will hold onto a winning stock, and fail to materialize their profits as the stock declines from a peak. Buy and Hold investors should also consider using Stop Loss Orders to protect their investment capital. We only have to look back at the market crash of 2008 to realize how quickly a portfolio of winning stocks can plummet to half its value. However, investors in 2008 who kept Stop Loss Orders or Trailing Stop Losses on their stocks won big time. They were able to prevent the huge decline in their portfolios, sell early in the bear market cycle, and buy back the stocks that had fallen in price.

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My Library for Children & Money: An Introduction to DRiP

FEB 2 Posted by EdR

My Library for Children & Money: An Introduction to DRiP

Children & Money: An Introduct

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Children & Money: An Introduction to DRiP

Over the past 2 months, I have been accumulating my first share in a number of companies to get setup with Full DRiP under Computershare and CIBC Mellon (also referred to as the Transfer Agents). It has been a very easy process but you don't want to be in a rush. That's why I have ordered a good number of shares at once in order to be ready.

Being an Owner

Children learn by watching and experiencing at an early age. There is nothing better than a share certificate to easily feel what ownership means. I experienced a little tingling when I got my first share certificate and looked at it. The tingling didn't last long but it was there. Imagine how pronounce that tingling can be for a child when they see their name on the share certificate. This is going to be a topic of conversation at school and a new

beginning in discussing money.

Getting Them Involved

A friend shared his process of getting his kids involved and I thought it was brilliant and I will do the same once I have everything setup to transfer shares to them. He made some drawing on cards that represent the companies' business, he explained the different companies a little in simplistic words and then he let them pick a company. This process has the children involved in picking the company that they will be able to monitor as they grow. When the share certificate comes in their name, it will be a result of their choice. If you can do more than one, it may be interesting as your child can also learn to compare the two as they grow. It can lead to comparing the following:

How much is each investment worth compared to each other?

How much dividends each pay?

How many shares do I have in each?

These questions, as they get older, will get them to exercise some mathematics to calculate scenarios (hopefully, I know I did).

Compound Growth Learnings

My plan is to contribute a small amount every year for them on their anniversary so that I can effectively teach them compound growth . Over the years, the theory of compound growth will realized itself in their account and it becomes a lot easier for them to understand. At a young age, I feel it's important for children to experience it, it's the best way to learn. Since their financial education is important to me, these monetary gifts to build a DRiP account is basically my cost for their financial education. A small price to pay for their financial success.

I know there are many people doing this already with their children – great initiatives everyone. One important factor is to pick a company that participate in the Dividend Reinvestment Plan. Otherwise the benefit of compound growth is lost.

Have a nice day!

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My Library for Dividend Aristocrats – The Canadian TSX Version

FEB 2 Posted by EdR

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Dividend Aristocrats – The Canadian TSX Version

Image via Wikipedia Dividend aristocrats are often used to help guide investment decisions or at least filter down to a set of companies that have a proven record of increasing dividends. The most popular list is the *U.S. Dividend Aristocrats* which requires companies to be part of the S&P500 and to have increased their dividends every year for the past 25 years. That's no small feat. Imagine the compound growth you get from 25 years of dividend increase.

Canadian Dividend Aristocrats Requirements

The Canadian dividend aristocrats list doesn't have the same requirements. They are a little softer. In order to become a TSX dividend aristocrat, a company must match the following 3 criteria:

It must be listed on the Toronto Stock Exchange and be part of the S&P Canada Broad Market Index (BMI).
It must have increased dividends every year for the past 5 years.
It must be worth at least Canadian 300 million dollars.

As you can see, the requirements for dividend increase is not on par with the U.S dividend aristocrats list but it's still good to see what we have on this side of the 49th parallel.

Canadian Dividend Aristocrats List

Here is the list of ***Canadian Dividend Aristocrats*** as of December 2010. I took the liberty to highlight the companies with a 3% yield or more in green and the list is sorted by market capitalization.

Company Name	Ticker	Price	Yield	Market Cap (B$)	P/E
Canadian Natural Resources	CNQ.TO	$42.50	0.75%	46.25	17.99
Imperial Oil Ltd	IMO.TO	$40.84	1.08%	34.62	17.94
Thomson Reuters Corporation	TRI.TO	$37.69	3.18%	31.37	31.94
Canadian National Railways	CNR.TO	$67.25	1.61%	31.10	14.58
TransCanada Corp	TRP.TO	$37.24	4.30%	25.92	19.15
Talisman Energy Inc	TLM.TO	$22.90	2.10%	23.28	45.06
Enbridge Inc	ENB.TO	$55.44	3.54%	21.29	21.96
Rogers Communications Inc B	RCI.B	$34.69	3.69%	19.62	13.45
Cameco Corp	CCO.TO	$38.54	0.73%	15.17	32.62
TELUS Corp	T.TO	$46.04	4.52%	14.77	15.31
Canadian Pacific Railway Ltd	CP.TO	$66.24	1.63%	11.20	16.99
SNC – LAVALIN GROUP INC.	SNC.TO	$60.25	1.13%	9.11	23.11
Shaw Communications Inc B	SJR.B	$20.19	4.16%	8.76	16.44
Shoppers Drug Mart Inc	SC.TO	$39.55	2.23%	8.60	14.57
Saputo Inc	SAP.TO	$40.71	1.57%	8.40	19.38
Tim Hortons	THI.TO	$42.40	1.23%	7.33	22.13
Canadian Utilities Ltd A Nvtg	CU.TO	$54.43	2.79%	6.85	15.82
Fortis Inc	FTS.TO	$33.79	3.31%	5.87	21.76
Intact Financial Corporation	IFC.TO	$50.61	2.69%	5.71	14.16
Finning Intl Inc	FTT.TO	$28.30	1.70%	4.84	35.45

Metro Inc A	MRU.A	$43.99	1.55%	4.59	12.05
Empire Co Ltd A Nvtg	EMP.A	$54.33	1.47%	3.69	10.44
Atco Ltd I Nvtg	ACO.X	$60.94	1.71%	3.54	12.32
Keyera Facilities Income Fund	KEY.UN	$36.38	1.65%	2.51	17.96
ShawCor Ltd A	SCL.A	$33.60	0.95%	2.37	28.40
Toromont Industries Ltd	TIH.TO	$30.94	2.07%	2.38	23.55
Ensign Energy Services	ESI.TO	$15.34	2.35%	2.35	22.90
Canadian Real Estate Inv Trst	REF.UN	$31.71	4.54%	2.11	22.40
Cogeco Cable Inc	CCA.TO	$41.95	1.62%	2.04	12.99
Corus Entertainment Inc B Nvtg	CJR.B	$23.49	3.07%	1.91	15.11
Home Capital Group Inc	HCG.TO	$51.89	1.39%	1.80	10.55
AGF Management Ltd B Nvtg	AGF.B	$19.17	5.43%	1.70	13.21
Transcontinental A Subvtg	TCL.A	$16.55	2.66%	1.34	9.62
Pason Systems Inc	PSI.TO	$13.87	2.45%	1.13	37.96
North West Company Inc.	NWF.TO	$21.70	6.27%	1.05	13.21
CCL Industries Inc B	CCL.B	$31.20	2.18%	1.04	18.34
Cogeco Inc	CGO.TO	$38.49	1.25%	0.65	11.49
Enbridge Income Fund Holdings	ENF.TO	$17.65	6.53%	0.61	49.03

I don't know what expectations I had from the list, but this is not the list I expected. I know nothing of nearly half of the companies on the list. The banks are missing in action considering they had a dividend freeze for the past couple of years but a few telecommunication companies are present.

Addition to the Canadian Dividend Aristocrats List

Bird Construction Income Fund (BDT.UN) – It recently converted to a corporation.
Enbridge Income Fund (ENF.UN)
North West Company Fund (NWF.UN)
Rogers Communications Inc. (RCI.B)
Tim Hortons Inc. (THI)

Removal from the Canadian Dividend Aristocrats List

AltaGas Ltd. (ALA)
Allied Properties REIT (AP.UN)
Bell Aliant Regional Communications Income Fund (BA.UN)
Bank of Nova Scotia (BNS)
CML Healthcare Income Fund (CLC.UN)
Canadian Tire Corporation (CTC.A)
Cominar REIT (CUF.UN)
Canadian Western Bank (CWB)
Davis & Henderson Income Fund (DHF.UN)

EnCana Corporation (ECA)
Great-West Lifeco Inc. (GWO)
Industrial Alliance Insurance and Financial Services Inc. (IAG)
IGM Financial Inc. (IGM)
Just Energy Income Fund (JE.UN)
Methanex Corporation (MX)
Parkland Income Fund (PKI.UN)
Power Corporation of Canada (POW)
Power Financial Corporation (PWF)
RioCan REIT (REI.UN)
Ritchie Bros. Auctioneers Inc. (RBA)
Toronto-Dominion Bank (TD)
Uni-Select Inc. (UNS)

Final Thoughts

Some really good companies were removed from the list. There are a few banks, insurance companies and some energy companies that make up for a large portion of the TSX that were drop due to their inability to increase their dividends in the past year. For some, it's simply a temporary set back. For others, the road back to be a dividend aristocrat may be longer.

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CML Healthcare Income Fund (CLC.UN)
Canadian Tire Corporation (CTC.A)

Cominar REIT (CUF.UN)
Canadian Western Bank (CWB)
Davis & Henderson Income Fund (DHF.UN)
EnCana Corporation (ECA)
Great-West Lifeco Inc. (GWO)
Industrial Alliance Insurance and Financial Services Inc. (IAG)
IGM Financial Inc. (IGM)
Just Energy Income Fund (JE.UN)
Methanex Corporation (MX)
Parkland Income Fund (PKI.UN)
Power Corporation of Canada (POW)
Power Financial Corporation (PWF)
RioCan REIT (REI.UN)
Ritchie Bros. Auctioneers Inc. (RBA)
Toronto-Dominion Bank (TD)
Uni-Select Inc. (UNS)

Final Thoughts

Some really good companies were removed from the list. There are a few banks, insurance companies and some energy companies that make up for a large portion of the TSX that were drop due to their inability to increase their dividends in the past year. For some, it's simply a temporary set back. For others, the road back to be a dividend aristocrat may be longer.

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Dividend Aristocrats – The Can

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Dividend Aristocrats – The Canadian TSX Version

Image via Wikipedia Dividend aristocrats are often used to help guide investment decisions or at least

filter down to a set of companies that have a proven record of increasing dividends. The most popular list is the *U.S. Dividend Aristocrats* which requires companies to be part of the S&P500 and to have increased their dividends every year for the past 25 years. That's no small feat. Imagine the compound growth you get from 25 years of dividend increase.

Canadian Dividend Aristocrats Requirements

The Canadian dividend aristocrats list doesn't have the same requirements. They are a little softer. In order to become a TSX dividend aristocrat, a company must match the following 3 criteria:

It must be listed on the Toronto Stock Exchange and be part of the S&P Canada Broad Market Index (BMI).
It must have increased dividends every year for the past 5 years.
It must be worth at least Canadian 300 million dollars.

As you can see, the requirements for dividend increase is not on par with the U.S dividend aristocrats list but it's still good to see what we have on this side of the 49th parallel.

Canadian Dividend Aristocrats List

Here is the list of *Canadian Dividend Aristocrats* as of December 2010. I took the liberty to highlight the companies with a 3% yield or more in green and the list is sorted by market capitalization.

Company Name	Ticker	Price	Yield	Market Cap (B$)	P/E
Canadian Natural Resources	CNQ.TO	$42.50	0.75%	46.25	17.99
Imperial Oil Ltd	IMO.TO	$40.84	1.08%	34.62	17.94
Thomson Reuters Corporation	TRI.TO	$37.69	3.18%	31.37	31.94
Canadian National Railways	CNR.TO	$67.25	1.61%	31.10	14.58
TransCanada Corp	TRP.TO	$37.24	4.30%	25.92	19.15
Talisman Energy Inc	TLM.TO	$22.90	2.10%	23.28	45.06
Enbridge Inc	ENB.TO	$55.44	3.54%	21.29	21.96
Rogers Communications Inc B	RCI.B	$34.69	3.69%	19.62	13.45
Cameco Corp	CCO.TO	$38.54	0.73%	15.17	32.62
TELUS Corp	T.TO	$46.04	4.52%	14.77	15.31
Canadian Pacific Railway Ltd	CP.TO	$66.24	1.63%	11.20	16.99
SNC – LAVALIN GROUP INC.	SNC.TO	$60.25	1.13%	9.11	23.11
Shaw Communications Inc B	SJR.B	$20.19	4.16%	8.76	16.44
Shoppers Drug Mart Inc	SC.TO	$39.55	2.23%	8.60	14.57
Saputo Inc	SAP.TO	$40.71	1.57%	8.40	19.38

Tim Hortons	THI.TO	$42.40	1.23%	7.33	22.13
Canadian Utilities Ltd A Nvtg	CU.TO	$54.43	2.79%	6.85	15.82
Fortis Inc	FTS.TO	$33.79	3.31%	5.87	21.76
Intact Financial Corporation	IFC.TO	$50.61	2.69%	5.71	14.16
Finning Intl Inc	FTT.TO	$28.30	1.70%	4.84	35.45
Metro Inc A	MRU.A	$43.99	1.55%	4.59	12.05
Empire Co Ltd A Nvtg	EMP.A	$54.33	1.47%	3.69	10.44
Atco Ltd I Nvtg	ACO.X	$60.94	1.71%	3.54	12.32
Keyera Facilities Income Fund	KEY.UN	$36.38	1.65%	2.51	17.96
ShawCor Ltd A	SCL.A	$33.60	0.95%	2.37	28.40
Toromont Industries Ltd	TIH.TO	$30.94	2.07%	2.38	23.55
Ensign Energy Services	ESI.TO	$15.34	2.35%	2.35	22.90
Canadian Real Estate Inv Trst	REF.UN	$31.71	4.54%	2.11	22.40
Cogeco Cable Inc	CCA.TO	$41.95	1.62%	2.04	12.99
Corus Entertainment Inc B Nvtg	CJR.B	$23.49	3.07%	1.91	15.11
Home Capital Group Inc	HCG.TO	$51.89	1.39%	1.80	10.55
AGF Management Ltd B Nvtg	AGF.B	$19.17	5.43%	1.70	13.21
Transcontinental A Subvtg	TCL.A	$16.55	2.66%	1.34	9.62
Pason Systems Inc	PSI.TO	$13.87	2.45%	1.13	37.96
North West Company Inc.	NWF.TO	$21.70	6.27%	1.05	13.21
CCL Industries Inc B	CCL.B	$31.20	2.18%	1.04	18.34
Cogeco Inc	CGO.TO	$38.49	1.25%	0.65	11.49
Enbridge Income Fund Holdings	ENF.TO	$17.65	6.53%	0.61	49.03

I don’t know what expectations I had from the list, but this is not the list I expected. I know nothing of nearly half of the companies on the list. The banks are missing in action considering they had a dividend freeze for the past couple of years but a few telecommunication companies are present.

Addition to the Canadian Dividend Aristocrats List

Bird Construction Income Fund (BDT.UN) – It recently converted to a corporation.
Enbridge Income Fund (ENF.UN)
North West Company Fund (NWF.UN)
Rogers Communications Inc. (RCI.B)
Tim Hortons Inc. (THI)

Removal from the Canadian Dividend Aristocrats List

AltaGas Ltd. (ALA)
Allied Properties REIT (AP.UN)

Bell Aliant Regional Communications Income Fund (BA.UN)
Bank of Nova Scotia (BNS)
CML Healthcare Income Fund (CLC.UN)
Canadian Tire Corporation (CTC.A)
Cominar REIT (CUF.UN)
Canadian Western Bank (CWB)
Davis & Henderson Income Fund (DHF.UN)
EnCana Corporation (ECA)
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Readers: *What do you think of the list? Do you use it to filter your investments?*

Image via WikipediaBy now, anyone following the gas and oil industry certainly knows that Alberta is very rich in oil and gas resources. In

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