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Today's 'Stock Traders and Investors Free Weekly Wrap'  
Article is based on an EXTRACT from Edition 343 of the  
Mentoring style '*Investing & Online Trading*' Newsletter

## Melbourne, Sydney & Brisbane: 'An Evening with Jim Berg'



There is now only 1 day before Jim's Melbourne evening seminar this Tuesday night, 21<sup>st</sup> February, followed by Sydney and Brisbane over the next 2 weeks.

In this year's '[Show Me the Money](#)' presentations, Jim will show:

- ✓ Precisely what he is looking for now before switching from cash and re-entering the market
- ✓ How he combines fundamental and technical analysis to increase his success rate
- ✓ Details on how he trades and invests in the market using his '*Weight-of-Evidence*' and unique JB Volatility Indicators

Please let your like-minded family, friends and associates in and around these three cities know about these special evening events. Thank you.

**Savings of 40% are available** and you may invite guests to come with you at this specially discounted rate too. You also receive a Free Bonus package worth \$127, including Jim Berg's '*Stock Trading Handbook – Fundamental & Technical Analysis Combined*'.

To secure your seat, or for more details, [Click Here Now>>>](#)

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# Investing for Dividends (Part 1 of 2)

By Jim Berg and Marcus Padley

Several brokers have commented recently on some great dividend paying companies. One stated that the banks were such great companies to hold over 2011 as "where else could an investor get such a great return?"

So let's have a close look at the return from holding the 'big four' in 2011 and the 'income' generated. And keep in mind that many 'expert analysts' believe that equity investment should be focused on *growth*.

We'll assume that a conservative investor took the 'expert advice' and purchased an equal dollar amount of the four major banks on the first trading day in January 2011. They held the shares for the entire year and collected the dividends.

The yield is a financial ratio that shows how much a company pays out in dividends each year relative to its share price. In the absence of any capital gains, losses or franking credits the dividend yield is the return on investment for a stock. Dividend yield is calculated by dividing the annual dividends per share by the price per share.

Below is a screen cut from [OracleSCAN](#) showing the current yield on the big four banks.

| Data updated on: Wednesday, 18 January 2012 |                               |                |                     | 4 Secu  |
|---|-------------------------------|----------------|---------------------|---------|
| Symbol                                      | Name                          | Dividend Yield | Dividends Per Share | Close   |
| WBC   | Westpac Banking Corp Ordinary | 7.58%          | \$1.56              | \$20.57 |
| NAB   | National Aust. Bank Ordinary  | 7.27%          | \$1.72              | \$23.66 |
| CBA   | Commonwealth Bank. Ordinary   | 6.42%          | \$3.20              | \$49.84 |
| ANZ   | ANZ Banking GRP Ltd Ordinary  | 6.73%          | \$1.40              | \$20.79 |

The table below shows the opening price on the first trading day of 2011 and the yield on this date, assuming the exact same dividend per share distribution.

| Symbol | Name             | Div. Yield | Div. Per Share | Jan. 4th |
|--------|------------------|------------|----------------|----------|
| WBC    | Westpac          | 6.96%      | \$1.56         | \$22.40  |
| NAB    | National         | 7.17%      | \$1.72         | \$24.00  |
| CBA    | Commonwealth     | 6.27%      | \$3.20         | \$51.01  |
| ANZ    | ANZ Banking Grp. | 5.94%      | \$1.40         | \$23.55  |

Below are the yearly charts showing the *growth* of the big four.



Westpac Daily Chart

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NAB Daily Chart



Commonwealth Daily Chart



ANZ Daily Chart

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The table below shows the results. The average yield was **6.59%**, the average growth was **-7.43%**, resulting in a combined mean yield + growth of **-0.84%**.

| Sym  | Dividend Yield | Dividend Per Share | Price on 4th Jan. | Price on 30 Dec | 2011 Growth | Total Dividend + Growth 2011 |
|------|----------------|--------------------|-------------------|-----------------|-------------|------------------------------|
| WBC  | 6.96%          | \$1.56             | \$22.40           | \$20.00         | -10.71%     | -3.75%                       |
| NAB  | 7.17%          | \$1.72             | \$24.00           | \$23.36         | -2.67%      | 4.50%                        |
| CBA  | 6.27%          | \$3.20             | \$51.01           | \$49.22         | -3.51%      | 2.76%                        |
| ANZ  | 5.94%          | \$1.40             | \$23.55           | \$20.53         | -12.82%     | -6.88%                       |
| Mean | 6.59%          |                    |                   |                 | -7.43%      | -0.84%                       |

So the place to invest in 2011 was not for dividends in the big four. *Hold on though!* Many experts/analysts/brokers/media/financial planners teach their clients that *"it is not a loss until you sell"*.

So it is not surprising that many long-term **buy and hope** investors believe it. At every one of my presentations I hear at least one attendee say *"I'm in for the long-term & the dividends. I don't care what the price does."*

Marcus Padley notes: 'Capital gains are income too, you know. A dollar of capital gain in your pocket is the same as \$1 of dividends. It absolutely doesn't matter how an after-tax dollar arrives in your pocket, whether it comes from a dividend or a capital gain. High-yielding stocks and franking are an irrelevance as long as the dollar arrives. It is all about making money not how you make the money'.

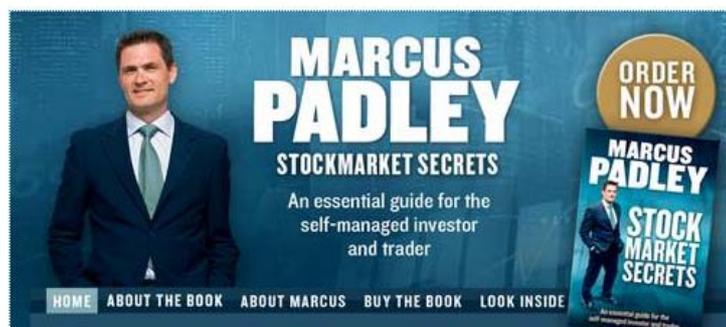
Long-term buy and hope investors who purchase companies paying dividends think they are reducing risk.

More from Marcus: 'Equities are nothing like a term deposit because share-price risk is dominating the investment decision not the yield. Do you really think people are in term deposits to make 5.5 per cent? No, they are in term deposits to avoid losing money. The focus is on the risk not the return. Risk rules.

Promoting income stocks because they yield more than a term deposit is ignoring that extra risk and misunderstanding why people are now in term deposits. They are there because they don't want to lose any more money. Because they don't want volatility'.

Discussing other options with dividend and long-term investors is often difficult as they usually have been doing it for a long time and it is challenging for them to change. We hope this article will help beginners see the value of considering other approaches. In Part 2 in our Newsletter Edition 343 next week, we look in detail on how to invest for growth AND income.

Marcus Padley is a stockbroker and the author of the daily sharemarket newsletter Marcus Today. For a free trial, go to [www.marcustoday.com.au](http://www.marcustoday.com.au) . For Marcus' book 'Stock Market Secrets' [Click Here>>>](#)



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**“Winners are not afraid of losing, but losers are. Failure is part of the process of success. People who avoid failure also avoid success.”**

Robert T. Kiyosaki  
*(Rich Dad, Poor Dad)*

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*Step 1* How to Filter a List of “Experts’ Picks for 2012”

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