



Retirement: The Dividend Solution

Retirement is on everyone's minds, especially now that the Baby Boomer Generation that is slowly entering their final years of work. Many have worked hard throughout the years at their business or company, yet entering into this second phase of life is turning out to be much harder than expected. The market has become volatile, losing a few hundred points in the past two weeks alone, and for many the light at the end of the tunnel is diminishing. How is it still possible to think happily about retirement when everything around us seems to be falling apart?

Although investors frequently ask us what the big secret to building and maintaining a strong retirement portfolio may be, there is no direct, clean-cut answer. However, a great place to start would be diversification but we are going to go a step further and discuss the benefits which



dividend yielding investments can play in your strategy.

Many investors today face the unpleasant reality of not being able to really retire according to their initial plans, and an increasing number find themselves without enough income to meet their monthly obligations and simply return back to work. Below are some issues that we have noticed to be more prevalent in today's broader environment:

- Lowest market yields in 50 years on income producing investments
- Extremely risk-adverse investors who have experienced monumental

losses in the past two decades

- Increasing odds of running out of money during retirement

History has shown the key here is to constantly develop new and innovative strategies to help capture more consistent returns while continuously seeking to protect their capital against the volatile markets. One thing we pay close attention to is the importance of the present value of the dollar that is working for you, which your direct capital base during retirement. From here you can begin to build a timeline as to how long you need that amount to last, and what it



specifically needs to produce. As retirement begins, working income typically stops and the need for producing investments grows dramatically. This can come from multiple sources such as pension plans, 401 (k), social security, etc. The common theme which one must adhere to is “income”, and dividends can provide exactly that. Regardless of investment growth, your investments must produce enough cash flow that your cash needs are met consistently.

How about those who are not fully retired just yet?

For those who have not retired, dividends can be reinvested to create compounding and dollar cost averaging advantages. This can develop a larger increase in capital and opportunity to help reach some of the retirement goals. There was a study conducted on the Dow Jones Industrial Average on the insights of the benefits of compounding dividends over a period of time.

Here is an example from Global Financial Data:

“Excluding Dividends: Hypothetical \$100,000 invested in the DJIA on January 1, 1945 would have grown to \$760,078 by the end of 2010, which includes the horrible financial meltdown in 2008 and the tech boom and fall in the early 2000’s. Over the same period of time, if the \$100,000 was invested along with dividend reinvestments, the same investment would have created a total of \$9,341,181.”

This is a great view of the power of compounding!

In the beginning it may seem like a slow process, especially if you are starting with a smaller investment but as time goes on you will begin to see how the compounding effect begins to multiply your results. The higher your holdings become, the more payout generates, thus allowing your investments to

begin growing themselves. Remember, the last years compound exponentially more than the first, so the longer time horizon which be utilized the better.

Among the many strategies which can be developed, we want to work closely with you as changing your holdings may incur certain tax implications which need to be handled properly. We will also make sure that you have a solid plan in place which will grow with you throughout your timeline. Examples like the one listed by Global Financial Data, although hypothetical, are also attainable. Retirement is not, and should not be considered a myth, and with proper structure and planning it can also become a reality.

Life changes just as financial goals/necessities do. Please feel free to contact us at any time with questions or ideas, we’d love to hear from you!



Happy Birthday



As a side note, the Macian Wealth Management Team would like to say Happy Birthday to the founders, Matthew Hodgen and Jadine Wong as they both turn one year “younger” during this beautiful month of June!

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