Strategies for a Successful Retirement Portfolio

A collection of retirement strategy essays
by Dr. Bart DiLiddo

VectorVest®

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Retirement Strategy

Part I

~9/18/09~

I received an email from a subscriber recently that said, “I retired four years ago with about $650,000 in 401K’s and IRA’s. This is essentially all the savings I have which is now about $500,000. I lost about $150,000 in the 2008-2009 period plus the drawdown of $3000 per month pre-tax. However, I’ve enjoyed some great swings to the upside exceeding $100k a number of times, but 2008 really hurt. I need a prudent growth strategy to generate 10% annually with some reliability. This could be dividend stocks combined with growth so I am in when your market timing indicators say I should be; out when you tell us and a safe downside short or ETF strategy. So a retirement strategy for people in IRA’s or 401K’s that includes the drawdowns while maintaining the principal is the challenge. What approach would you take?”

The first thing I would do is to open an account with a discount broker and make sure that I could sell Covered Calls. Then I would allocate my money into five parts. Two parts, i.e., $200,000, or 40%, would go into relatively safe bond funds that were paying about 6% interest. I would then create three stock portfolios with the remaining $300,000. The first of these portfolios would be created as follows: Vector + Vector. This portfolio would be based upon the Vector + Vector strategy, which is ideally suited for retirement portfolios. It finds stocks with the best combination of VST-Vector for capital appreciation and YSG-Vector for current income. I ran this strategy as of yesterday and it found only one stock. So I copied the search and revised it. I lowered the RS requirement from >= 1.50 to >= 1.25. I also adjusted the search to return only xA, xN and xO stocks. It then found 15 stocks. I also ran the revised search as of March 26, 2009. It found 20 stocks. Quick test showed that the top 10 stocks when sorted by VST + YSG gained 26.97% with 100% winners. This is less than the 31.80% gain of the VVC, but it’s not bad.

This income could easily exceed $15,000 per year.

I then put the top 10 stocks from March 26th into a WatchList called Vector + Vector, 1.25. It showed that the average Dividend Yield, DY, was only 1.30 percent. That’s not so hot, but I’m not worried because I would sell out-of-the-money Covered Calls against these stocks to generate current income. This income could easily exceed $15,000 per year. The really good news is that a comparison graph showed that the portfolio of these stocks handily outperformed the VVC over the last 1, 2 and 3 year periods. So I feel pretty good about the Vector + Vector portfolio.

Now I have to get to work putting the last $200,000 to good use. My challenge is that I expect to make only about $25,000 to $30,000 dollars of current income from my first $300,000 of investments. So I'm going to have to generate a higher rate of return on the remaining $200,000 and I can't afford to take on too much risk. I'll explain how I intend to accomplish this task next week. In the meantime, you can get started on doing the things we discussed right here in Retirement Strategy — Part I.

QuickTest - High VST+YSG Stocks

3/26/2009 - 9/18/2009 Stream Run Test Reset Sort

Record Count - 18 (17 Winners, 1 Losers, 0 Even)

Symbol	Begin Price	End Price	% Price Change	Total ARR
MUR	50.43	60.43	19.83%	41.12%
ROST	18.35	23.695	29.13%	60.41%
OXY	58.78	77.15	31.25%	64.81%
QSII	24.085	29.77	23.60%	48.95%
EOG	61.99	81.86	32.05%	66.47%
NBL	27.86	34.44	23.62%	48.98%
FDS	48.31	62.17	28.69%	59.50%
FLO	10.529	11.573	9.92%	20.56%
INT	17.045	24.975	46.52%	96.48%
XRAY	27.50	34.65	26.00%	53.92%
RGLD	46.22	45.80	-0.91%	-1.88%
TEVA	45.67	51.88	13.60%	28.20%
STRA	185.00	204.00	10.27%	21.30%
BCR	79.64	80.15	0.64%	1.33%
SYK	34.95	47.16	34.94%	72.45%
BDX	66.27	70.26	6.02%	12.49%
CHD	25.425	28.245	11.09%	23.00%
CHRW	47.74	58.69	22.94%	47.57%
Average:	**$48.6552**	**$57.0499**	**20.51%**	**42.54%**

Compare To: VVC

Symbol	Begin Price	End Price	% Price Change	Total ARR
VVC	17.423	23.016	32.10%	66.57%

High VST+YSG stocks chart from March 26, 2009–September 18, 2009. To enlarge, hold down the Control key then press the = key (on a Mac, hold down the Command key then press the = key).

Retirement Strategy
Part II
9/25/09

Last week I undertook the challenge of designing a $500,000 retirement strategy for people in IRAs or 401Ks that would produce $50,000 per year of current income while maintaining the principal. I said that I would put $200,000 into relatively safe bond funds that were paying about 6% interest and then create three $100,000 stock portfolios with the remaining $300,000.

I used a variation of the Vector + Vector Strategy to create the first $100,000 portfolio and I have named this strategy, "High VST+YSG Stocks." You may find it in the UniSearch Tool located in a new Strategy Group called, "Strategies – Retirement." Since this strategy is restricted to finding optionable stocks, I felt that I could generate at least $15,000 of cash per year from the top 10 stocks it found by selling Covered Calls. Therefore, I could produce about $27,000 per year of current income from the first $300,000 of investment. Now I need to generate an additional $23,000 per year from the remaining $200,000.

The point is that you shouldn't jump into any of these stocks without thoroughly checking into them.

In the second $100,000 portfolio, I aim to generate most, if not all, of $11,500 per year of current income directly from dividend payments. This means that I must select high dividend yield stocks that are reasonably reliable. So I created a new strategy called, "High Yield 2x10s." This strategy finds stocks that pay at least a $2.00 per share dividend and have a yield of at least 10%. It sorts by VST+YSG descending. As of last night, it found 25 stocks with American Capital, AGNC, at the top of the list. VectorVest shows it paying a $6.00 dividend with a 20.11% dividend yield. Is that too good to be true? Well, the Dividend Safety, DS, rating of 28 means that the risk of a cut in dividends is relatively high. However, from what I read on Yahoo!Finance, the risk of a cut in dividends is low as long as the Fed keeps interest rates low. I'm willing to take that risk right now, so I own the stock.

The point is that you shouldn't jump into any of these stocks without thoroughly checking into them. Moreover, I would not buy more than one of these stocks in any single Industry Group and no more than two stocks from any Business Sector. Even though the top three stocks all look to be very juicy and have performed very well over the last six months, they are all in the REIT(Mortgage) Industry Group. When I put the 10 highest ranked eligible stocks into a WatchList, I see that the average dividend yield is 13.60%. So these stocks clearly could deliver the income I'm looking for, but they must hold up. Finally, nine of the 10 stocks I selected have options. This is good because it allows me to sell Covered Calls if I wish.

For your convenience we have created a new WatchList Group called, "Retirement Stocks." It contains two WatchLists: one called, "High VST+YSG Stocks," from the strategy I created last week and one called, "High Yield 2x10s," from this week's strategy. A QuickTest of these 10 stocks from 03/26/09 to 09/24/09 shows that they outperformed the VVC 43.13% to 29.62%. That's very good, but they behaved very much like the VVC over the past three years. So the high dividend yields didn't provide much added safety during the down market. Therefore, you can't buy these stocks and forget about them. They need to be managed just like any other stocks.

Next week I'll create the third and final portfolio of stocks in this series; then I will go into some detail on how to manage them. You may find that you can be kept busy managing the portfolio described in today's essay, Retirement Strategy — Part II.


QuickTest - High Yield 2x10s

3/26/2009 - 9/24/2009 Stream Run Test Reset Sort

Record Count - 20 (18 Winners, 2 Losers, 0 Even)

Symbol	Begin Price	End Price	% Price Change	Total ARR
DPM	13.98	24.33	74.03%	148.48%
NAT	31.54	29.82	-5.45%	-10.94%
MWE	11.98	22.88	90.98%	182.47%
KYE	14.67	20.27	38.17%	76.56%
LGCY	9.99	16.29	63.06%	126.47%
LINE	15.22	23.06	51.51%	103.31%
OKS	20.51	26.155	27.52%	55.20%
BBEP	7.08	10.60	49.72%	99.71%
NLY	14.21	19.03	33.92%	68.03%
KYN	19.70	21.32	8.22%	16.49%
CEL	21.55	30.95	43.62%	87.48%
PWE	11.54	14.84	28.60%	57.35%
TNK	10.15	8.29	-18.33%	-36.75%
DB	44.46	75.56	69.95%	140.29%
TYG	21.43	25.62	19.55%	39.21%
WPZ	11.76	21.87	85.97%	172.41%
FREE	69.50	85.00	22.30%	44.73%
ERF	18.05	22.05	22.16%	44.44%
VIV	20.80	24.87	19.57%	39.24%
DPO	8.02	12.21	52.24%	104.78%
Average:	$19.807	$26.7508	38.87%	77.95%

Compare To: VVC

Symbol	Begin Price	End Price	% Price Change	Total ARR
VVC	17.423	22.584	29.62%	59.41%

High Yield 2x10s chart from March 26, 2009–September 24, 2009. To enlarge, hold down the Control key then press the = key (on a Mac, hold down the Command key then press the = key).

Double Juicy

10/2/09

Two weeks ago I began writing about designing a $500,000 retirement strategy for people in IRAs or 401Ks that would produce $50,000 per year of current income while maintaining the principal. I said that I would put $200,000 into relatively safe bond funds that were paying about 6% interest and then create three $100,000 stock portfolios with the remaining $300,000

I used a variation of the Vector + Vector Strategy to create the first $100,000 portfolio and named it, "High VST+YSG Stocks." Last week I created a Strategy called, "High Yield 2x10s," which finds stocks that pay at least a $2.00 per share dividend and Yield at least 10%. You may find both of these Strategies in the UniSearch Tool located in the Strategy Group called, "Strategies — Retirement."

So far I'm positioned to earn $12,000 per year of current income from my $200,000 investment in a relatively safe bond Fund, and I believe I can make $15,000 per year from a $100,000 portfolio of High VST+YSG stocks by selling Covered Calls. I hope to also make at least $11,500 per year from a $100,000 portfolio of High Yield 2x10s stocks. So now I need to find a way to make at least $11,500 per year from the final $100,000 that I have to invest.

I believe the surest way of doing this is by selling Covered Calls on high yield stocks. Basically, I'm going to combine the techniques I plan to use in managing the two $100,000

…use the Option Rate of Return Tool found in Unisearch to find stocks with juicy dividend payments and juicy option premiums.

portfolios described above to produce this income. So I created a third strategy which I call "Optionable 2x4s." This strategy finds optionable stocks that pay at least a $2.00 per year dividend and Yield at least 4%. It is sorted by VST+YSG Desc., but that doesn't really matter because of the way I'm going to use this portfolio.

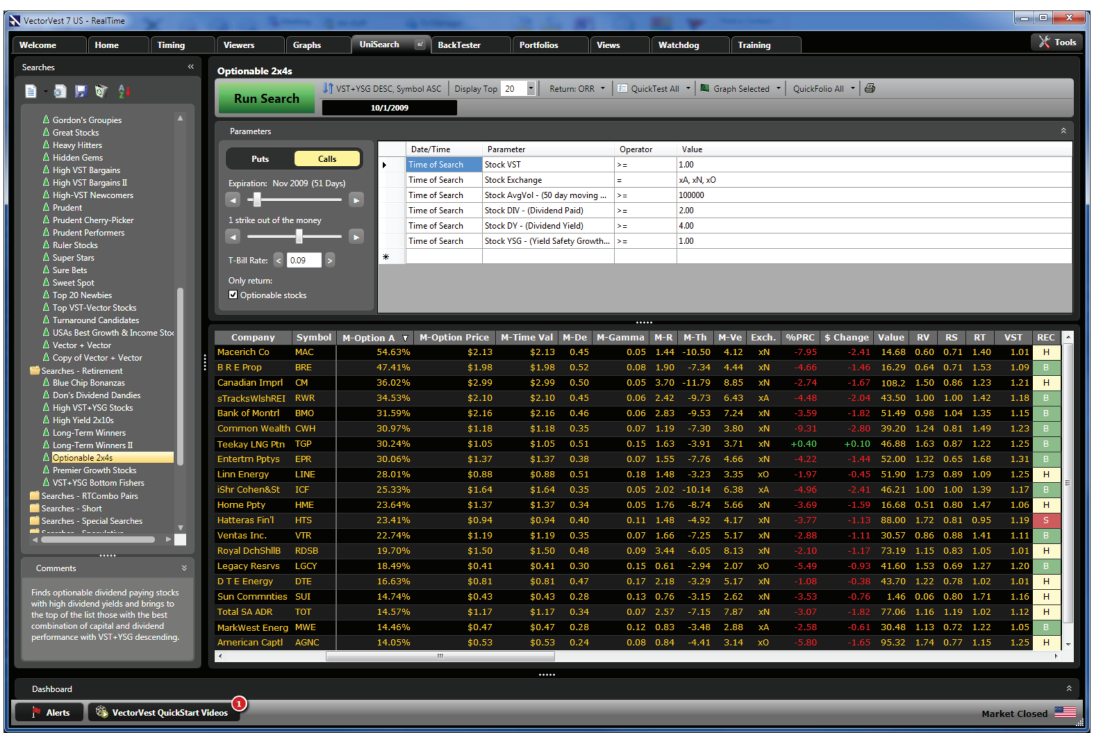
What I'm going to do is use the Option Rate of Return Tool found in Unisearch to find stocks with juicy dividend payments and juicy option premiums. Moreover, I'm only going to trade stocks with the highest rates of return. For example, I clicked on Unisearch tab, clicked on Option Rate of Return in the Drop Down Window, adjusted the settings to the Nov Expiration Date, 1 Strike Out of the Money, selected my new strategy, "Optionable 2x4s," clicked on the Run Search button as of 10/01/09, and sorted the results by M-Option ARR.

Macerich, MAC, came to the top of the list with an Option ARR of 54.63% and a $2.13 per share Option Price. So I highlighted the stock and clicked on View Stock News. This took me right to Yahoo!Finance where I was able to click on Options. It defaulted to October data, so I clicked on Nov 09 and saw immediately that the $30.00 strike Call options were trading between 1.90 and 2.10 per share, which was close to what I got from VectorVest.

I then clicked on Key Statistics and scrolled down to the lower right hand corner of the data sheet and saw that the most recent dividend payment was made on September 20th. I had just missed the most recent dividend payment. So I repeated this process on the next stock, which was BRE. Once again, I just missed the dividend payment. Actually, I should be looking at the Ex-dividend date because I would have to own the stock on or before that date in order to be eligible to receive the dividend.

Unfortunately, all the stocks I was interested in had recently paid their dividends. But that doesn't discourage me. Once I get into the rhythm of trading these stocks at the right times, it will start working out just fine. Incidentally, the only stocks that I'm interested in trading with this strategy are those showing an Options ARR of 25% or more with an option premium of $2.00 per share or more.

Now that I have completed the plan for investing the $500,000, there's a whole lot I need to say about implementation. I will cover the subject in some detail next week, but I will say this. My first caution to you is to stay on the right side of the market. There's a real danger of forgetting to properly manage your stocks when you're focused on capturing dividends and option premiums. I've made this mistake myself and I can tell you that the profits you'll make from dividends and option premiums, no matter how juicy, can easily be outweighed by the money you'll lose on a stock that's heading south. This is especially true when you're going after the Double Juicy.



Double Juicy chart from October 2 2009. To enlarge, hold down the Control key then press the = key (on a Mac, hold down the Command key then press the = key).

Managing Your Retirement Stocks

10/9/09

For the last three weeks I've been writing about a $500,000 retirement strategy for people in IRAs or 401Ks that would produce $50,000 per year of current income while maintaining the principal. I said that I would put $200,000 into relatively safe bond funds that were paying about 6% interest and then build three $100,000 stock portfolios with the remaining $300,000. Three new searches, which may be found in the UniSearch Tool located in the Strategy Group called, "Strategies – Retirement," were created which could be used to build these portfolios.

My biggest concern regarding the idea of managing stocks for current income is that of losing sight of capital preservation. In other words, you may become so intent on capturing a dividend payment that you end up holding stocks that should have been sold. Consequently, you will lose a lot more money than you could have possibly made in current income. Don't let that happen to you. Capital preservation should be your top priority. The first portfolio to build is the one comprised of optionable, high VST+YSG stocks.

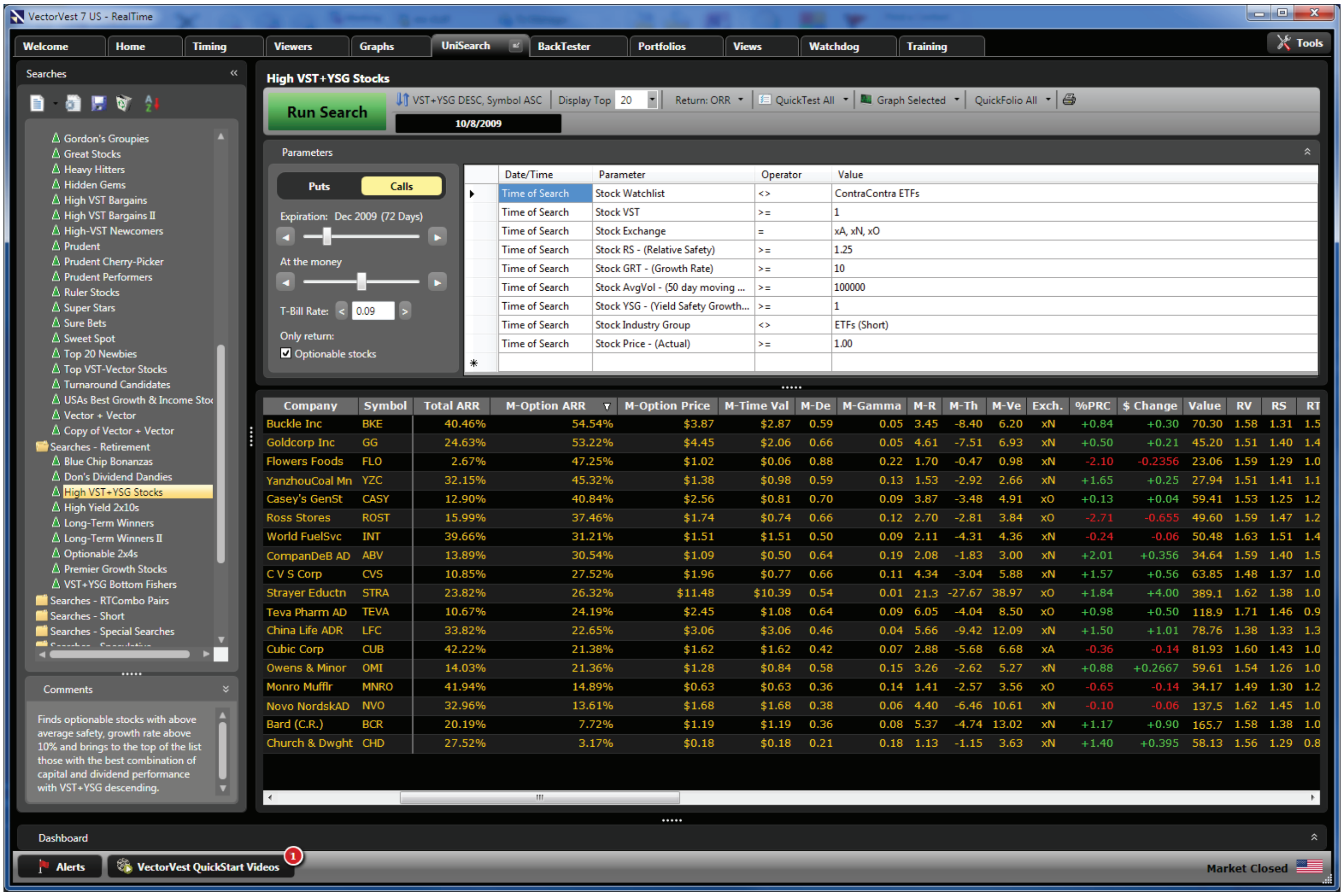
My biggest concern regarding the idea of managing stocks for current income is that of losing sight of capital preservation.

Given current market conditions, I would do this by running the "High VST+YSG Stocks" search using the Options Rate of Return Tool, set for December Expiration, At the Money Calls, sorted by Option ARR. This search returned 19 Records, as of 10/08/09. BKE was at the top of the list, showing an Option Price of $3.96 per share and an Option ARR of 55.74%. At approximately 2:30 PM, Yahoo!Finance said the stock was down 78 cents and the option price was only $2.40 per share, lowering the ARR to 33.80%. These figures meet my criteria of trading only stocks with an Option Premium of at least $2.00 and an Option ARR of at least 25%, so I would consider buying it on an up move.

The next stock, GG, does not have a Dec option, so I looked at the Jan 40. It showed an option price of only $2.21 per share, which means the Time Value of the option, was only 40 cents. I don't like to trade anything with a Time Value less than $1.00, so I moved on down the list.

Finally, I got to CVS. It didn't have any Dec Options, but the Jan 35 premium was shown as $2.82 per share. This price gave an Option ARR of 28.44%, which is OK in my book. Its stock graph could be stronger, but I'd give this stock a shot.

As you can see, it's going to take a little effort to build this portfolio, but just take it a step at a time. Before you know it, you'll be dealing with some really good prospects. And don't stray too far from the criteria of trading only stocks with an Option Premium of at least $2.00 and an Option ARR of at least 25%. You also don't need to completely fill your first portfolio before starting on the second and third. Actually, it might be a good idea to start off with just two or three stocks in each portfolio so you can gain experience and become accustomed to Managing Your Retirement Stocks.



Date/Time	Parameter	Operator	Value
Time of Search	Stock Watchlist	<>	ContraContra ETFs
Time of Search	Stock VST	>=	1
Time of Search	Stock Exchange	=	xA, xN, xO
Time of Search	Stock RS - (Relative Safety)	>=	1.25
Time of Search	Stock GRT - (Growth Rate)	>=	10
Time of Search	Stock AvgVol - (50 day moving ...	>=	100000
Time of Search	Stock YSG - (Yield Safety Growth...	>=	1
Time of Search	Stock Industry Group	<>	ETFs (Short)
Time of Search	Stock Price - (Actual)	>=	1.00

Company	Symbol	Total ARR	M-Option ARR	M-Option Price	M-Time Val	M-De	M-Gamma	M-R	M-Th	M-Ve	Exch.	%PRC	$ Change	Value	RV	RS	RT
Buckle Inc	BKE	40.46%	54.54%	$3.87	$2.87	0.59	0.05	3.45	-8.40	6.20	xN	+0.84	+0.30	70.30	1.58	1.31	1.5
Goldcorp Inc	GG	24.63%	53.22%	$4.45	$2.06	0.66	0.05	4.61	-7.51	6.93	xN	+0.50	+0.21	45.20	1.51	1.40	1.4
Flowers Foods	FLO	2.67%	47.25%	$1.02	$0.06	0.88	0.22	1.70	-0.47	0.98	xN	-2.10	-0.2356	23.06	1.59	1.29	1.0
YanzhouCoal Mn	YZC	32.15%	45.32%	$1.38	$0.98	0.59	0.13	1.53	-2.92	2.66	xN	+1.65	+0.25	27.94	1.51	1.41	1.1
Casey's GenSt	CASY	12.90%	40.84%	$2.56	$0.81	0.70	0.09	3.87	-3.48	4.91	xO	+0.13	+0.04	59.41	1.53	1.25	1.2
Ross Stores	ROST	15.99%	37.46%	$1.74	$0.74	0.66	0.12	2.70	-2.81	3.84	xO	-2.71	-0.655	49.60	1.59	1.47	1.2
World FuelSvc	INT	39.66%	31.21%	$1.51	$1.51	0.50	0.09	2.11	-4.31	4.36	xN	-0.24	-0.06	50.48	1.63	1.51	1.4
CompanDeB AD	ABV	13.89%	30.54%	$1.09	$0.50	0.64	0.19	2.08	-1.83	3.00	xN	+2.01	+0.356	34.64	1.59	1.40	1.5
C V S Corp	CVS	10.85%	27.52%	$1.96	$0.77	0.66	0.11	4.34	-3.04	5.88	xN	+1.57	+0.56	63.85	1.48	1.37	1.0
Strayer Eductn	STRA	23.82%	26.32%	$11.48	$10.39	0.54	0.01	21.3	-27.67	38.97	xO	+1.84	+4.00	389.1	1.62	1.38	1.0
Teva Pharm AD	TEVA	10.67%	24.19%	$2.45	$1.08	0.64	0.09	6.05	-4.04	8.50	xO	+0.98	+0.50	118.9	1.71	1.46	0.9
China Life ADR	LFC	33.82%	22.65%	$3.06	$3.06	0.46	0.04	5.66	-9.42	12.09	xN	+1.50	+1.01	78.76	1.38	1.33	1.3
Cubic Corp	CUB	42.22%	21.38%	$1.62	$1.62	0.42	0.07	2.88	-5.68	6.68	xA	-0.36	-0.14	81.93	1.60	1.43	1.0
Owens & Minor	OMI	14.03%	21.36%	$1.28	$0.84	0.58	0.15	3.26	-2.62	5.27	xN	+0.88	+0.2667	59.61	1.54	1.26	1.0
Monro Mufflr	MNRO	41.94%	14.89%	$0.63	$0.63	0.36	0.14	1.41	-2.57	3.56	xO	-0.65	-0.14	34.17	1.49	1.30	1.2
Novo NordskAD	NVO	32.96%	13.61%	$1.68	$1.68	0.38	0.06	4.40	-6.46	10.61	xN	-0.10	-0.06	137.5	1.62	1.45	1.0
Bard (C.R.)	BCR	20.19%	7.72%	$1.19	$1.19	0.36	0.08	5.37	-4.74	13.02	xN	+1.17	+0.90	165.7	1.58	1.38	1.0
Church & Dwght	CHD	27.52%	3.17%	$0.18	$0.18	0.21	0.18	1.13	-1.15	3.63	xN	+1.40	+0.395	58.13	1.56	1.29	0.8

Optionable High VST + YSG stocks chart from October 9, 2009. To enlarge, hold down the Control key then press the = key (on a Mac, hold down the Command key then press the = key).

Relatively Safe Bond Funds Paying 6%

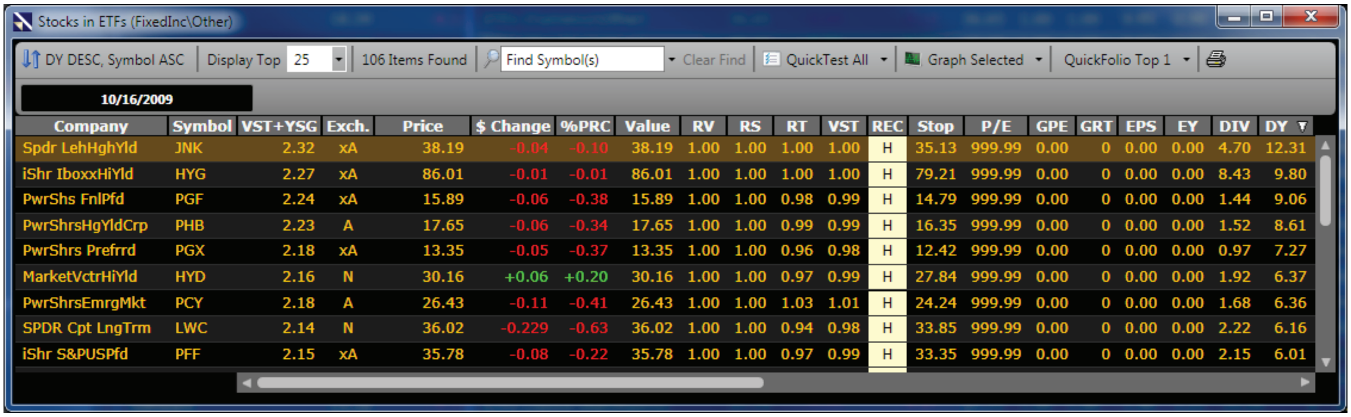
10/16/09

Four weeks ago I began writing about a $500,000 retirement strategy for people in IRAs or 401Ks that would produce $50,000 per year of current income while maintaining the principal. I said that I would put $200,000 into relatively safe bond funds that were paying about 6% interest and then build three $100,000 stock portfolios with the remaining $300,000. Almost immediately we began receiving calls and emails asking about safe bond funds. That's not our particular field of expertise, but I didn't think it would be all that hard to find such funds, and it's not.

Just recently I went to my bank and put some money into a "Tax-Advantaged Municipal Closed End Portfolio," which is expected to pay about 6.9%. You should be able to do the same if you wish. If you don't want to do that, you can Google the term, "safe bond funds," and get nearly 900,000 hits. The top three listings should more than meet your needs. Of course you can always Google the term, "Pimco," and also receive a wealth of information.

If you don't want to go that route, you can always use VectorVest. Simply click on Viewers on the Main Menu Bar, click on Sector Viewer, click on ETFs, right click on the ETFs row, click on View Industries in Business Sector, sort By Industries Asc, click on ETFs(FixedInc\Other), right click on the ETFs(FixedInc\Other) row, click on View Stocks in Industry Group and sort by DY. You should see JNK at the top of the list with a DY of 12.29%. Overall, you should see nine ETFs with dividend yields of 6% or more. Pick your poison.

As you can see, even in the world of zero percent Federal Funds rates, you can still find Relatively Safe Bond Funds Paying 6%.



Company	Symbol	VST+YSG	Exch.	Price	$ Change	%PRC	Value	RV	RS	RT	VST	REC	Stop	P/E	GPE	GRT	EPS	EY	DIV	DY
Spdr LehHghYld	JNK	2.32	xA	38.19	-0.04	-0.10	38.19	1.00	1.00	1.00	1.00	H	35.13	999.99	0.00	0	0.00	0.00	4.70	12.31
iShr IboxxHiYld	HYG	2.27	xA	86.01	-0.01	-0.01	86.01	1.00	1.00	1.00	1.00	H	79.21	999.99	0.00	0	0.00	0.00	8.43	9.80
PwrShs FnlPfd	PGF	2.24	xA	15.89	-0.06	-0.38	15.89	1.00	1.00	0.98	0.99	H	14.79	999.99	0.00	0	0.00	0.00	1.44	9.06
PwrShrsHgYldCrp	PHB	2.23	A	17.65	-0.06	-0.34	17.65	1.00	1.00	0.99	0.99	H	16.35	999.99	0.00	0	0.00	0.00	1.52	8.61
PwrShrs Prefrrd	PGX	2.18	xA	13.35	-0.05	-0.37	13.35	1.00	1.00	0.96	0.98	H	12.42	999.99	0.00	0	0.00	0.00	0.97	7.27
MarketVctrHiYld	HYD	2.16	N	30.16	+0.06	+0.20	30.16	1.00	1.00	0.97	0.99	H	27.84	999.99	0.00	0	0.00	0.00	1.92	6.37
PwrShrsEmrgMkt	PCY	2.18	A	26.43	-0.11	-0.41	26.43	1.00	1.00	1.03	1.01	H	24.24	999.99	0.00	0	0.00	0.00	1.68	6.36
SPDR Cpt LngTrm	LWC	2.14	N	36.02	-0.229	-0.63	36.02	1.00	1.00	0.94	0.98	H	33.85	999.99	0.00	0	0.00	0.00	2.22	6.16
iShr S&PUSPfd	PFF	2.15	xA	35.78	-0.08	-0.22	35.78	1.00	1.00	0.97	0.99	H	33.35	999.99	0.00	0	0.00	0.00	2.15	6.01

Nine ETFs using the criteria mentioned in the essay from October 16, 2009. To enlarge, hold down the Control key then press the = key (on a Mac, hold down the Command key then press the = key).

Retirement Strategies

Blue Chip Bonanzas

11/20/09

Since writing the essay “Retirement Strategy — Part I” on September 18, 2009, I have continued to receive a steady stream of emails from subscribers seeking a combination of safety, capital appreciation and current income. In this regard, I tested an old favorite strategy of mine, Vector + Vector.

Alas, I found that the RS requirement was too stringent to find enough stocks under current market conditions, so I lowered the RS requirement from 1.5 to 1.25. Indeed, this adjustment did allow the search to return more stocks, but the dividend yields were pretty skimpy. So I adjusted the search again to find only optionable stocks, thinking that I could generate current income by selling Covered Calls. I named the new strategy “High VST + YSG Stocks,” and put it into a new strategy group in the UniSearch Tool called Strategies — Retirement.

The following week, September 25, 2009, I created another search which was designed to find reasonably safe stocks with high dividend yields. I called it “High Yield 2x10s” and put it into the Strategies — Retirement Group in UniSearch. The top 10 stocks found by this search on September 25, 2009 had an average dividend yield of 13.64%.

On October 2, 2009, I created a third search, called “Optionable 2x4s,” which aimed to find optionable stocks paying dividends of at least $2.00 per share and yielding at least 4%. This search was also placed into the Strategies — Retirement folder in UniSearch.

Finally, on October 9, 2009, I wrote an essay called, “Managing Your Retirement Stocks,” which explained and illustrated how one might go about capturing both the dividend and the option premium. Although I thought I had written all that I needed to on the subject, the e-mails kept coming in, especially in regard to bond funds. So I wrote an essay on October 16, 2009 called, “Relatively Safe Bond Funds Paying 6%.”

But the emails keep coming in. So what else can I do? How about trying to combine some of our bottom fishing ideas along with capturing high dividend yields? How could we do this? Well let’s find some of the biggest, safest stocks that have been beaten down in price and still pay juicy dividends. Hmm, our Blue Chip Bargains strategies find the biggest, safest stocks and they’re nearly all optionable. But how can we find those with the highest dividend yields?

Simple. Just sort by DY Desc.

Hey, that works pretty well, but where does the bottom fishing part come into play? Well dividend yields go up when prices go down, so if you sort by DY Desc., you automatically find stocks that have gone down in price. It’s a technique used by many money managers. Yes, but what about the quality of the dividends? Are they safe? Well let's sort by YSG Desc. Hey, that works even better, but I still want to do a little better job of bottom fishing. How should I do that? Try sorting by the YSG/CI Desc. That ought to do it.

Wow! I don't believe what I'm looking at — a 95.47% gain since March 10, 2009 with 100% winners and a 5.17% dividend yield. I think I've found a Retirement Strategies — Blue Chip Bonanzas.

QuickTest - Blue Chip Bonanzas

3/10/2009 - 11/20/2009 Stream Run Test Reset Sort

Record Count - 20 (19 Winners, 1 Losers, 0 Even)

Symbol	Begin Price	End Price	% Price Change	Total ARR
ACE	34.16	49.73	45.58%	65.24%
RTN	34.61	50.59	46.17%	66.09%
MCD	52.60	63.97	21.62%	30.94%
CHD	23.41	29.13	24.43%	34.97%
MDT	24.93	39.62	58.92%	84.34%
LLL	58.75	77.53	31.97%	45.76%
CLX	47.79	59.65	24.82%	35.52%
CVS	24.92	31.64	26.97%	38.60%
FDO	31.30	30.38	-2.94%	-4.21%
GD	37.60	66.47	76.78%	109.90%
PTNR	13.82	18.40	33.14%	47.44%
NEE	43.40	51.11	17.76%	25.43%
TAP	32.80	45.57	38.93%	55.73%
BTI	49.75	63.66	27.96%	40.02%
PEP	46.60	62.08	33.22%	47.55%
UNH	19.31	28.56	47.90%	68.57%
TEVA	43.37	52.72	21.56%	30.86%
ENB	14.385	20.66	43.62%	62.44%
SJM	34.58	56.35	62.96%	90.11%
YUM	24.94	35.73	43.26%	61.93%
Average:	**$34.6512**	**$46.6775**	**36.23%**	**51.86%**

Compare To: VVC

Symbol	Begin Price	End Price	% Price Change	Total ARR
VVC	15.166	22.925	51.16%	73.23%

Blue Chip Bonanzas chart from March 10, 2009–November 20, 2009. To enlarge, hold down the Control key then press the = key (on a Mac, hold down the Command key then press the = key).

Terrific Dividend Stocks

11/27/09

With interest rates at historically low levels, more and more senior investors are adding dividend paying stocks to their retirement portfolios. This message has resonated throughout the financial services community and Barron's magazine has now entered the fray with a cover story on "10 Terrific Dividend Stocks."

My first reaction to any article such as this is to ask, "What would VectorVest say about these stocks?" In this case, I was familiar with all ten of the stocks, CVX, INTC, JNJ, MCD, NVS, NSRGY, PEP, PG, STD and VZ cited in the article because they all represented large, well established companies. So I created a new WatchList Group called "Dividend Stocks." I put the 10 stocks into a WatchList called, "Barron's 10 Terrific Dividend Stocks." Oops, Nestle, a pink sheet ADR, was not found in our database and was not added to the WatchList. (We are seeing if we can get the data required to add it.)

With interest rates at historically low levels, more and more senior investors are adding dividend paying stocks to their retirement portfolios.

Nevertheless, the WatchList showed that on 11/20/09, seven of the 9 stocks were rated "B" and two "H." The average RV and RS of the 9 stocks were above 1.00, and that is good. The average Forecasted Earnings Growth Rate, GRT, was -1, and that is not good. The average Dividend Yield, DY, was an acceptable 3.50%, but the average Dividend Growth, DG, was only 3.00%/Yr. Overall, I thought this was an OK portfolio, but not too exciting.

Could VectorVest do better? To answer this question, I created five more WatchLists, one for each of the five Retirement Strategies we have created, and put them into the Dividend Stocks WatchList Group as well. Here's a summary of what I found as of 11/20/09:

Life is a matter of trade-offs. If you want high performance, i.e., the WatchList with the highest RVs, RSs and GRTs, you get low yield. If you want high yield, you get low safety. All of the WatchLists created by VectorVest searches had higher average RVs, higher average GRTs and higher averages DGs than the stocks in the Barron's 10 Watchlist. Only two of the Vectorest WatchLists had higher average RSs, and only two V V WatchLists had higher DYs than the Barron's 10.

If I had to pick one strategy to run with, I'd pick the High VST+YSG strategy and trade Covered Calls to generate income. But you, dear reader, can pick and choose your stocks one by one. See if you can put together a 10 stock WatchList that is better, in all respects, than Barron's 10 Terrific Dividend Stocks.

Barron's Ten Terrific Dividend Stocks (minus one) as of November 20, 2009. Can you build a better portfolio? To enlarge, hold down the Control key then press the = key (on a Mac, hold down the Command key then press the = key).

Premier Growth Stocks

12/4/09

I received another email recently in which the writer is concerned about the future. Specifically, he is concerned about deficit spending, the money supply going through the roof with all of its unintended consequences, stagflation and inflation. He wants to know if there's a strategy one can use to help maintain a person's current buying power.

The issue of maintaining one's buying power is not a trivial matter and is more important now than ever before. Even with the rally from the March low, many investors are still recovering from sizeable investment losses suffered in 2008 and they cannot afford to see their buying power reduced further for any reason, be it retirement, a weaker dollar or inflation. So what to do?

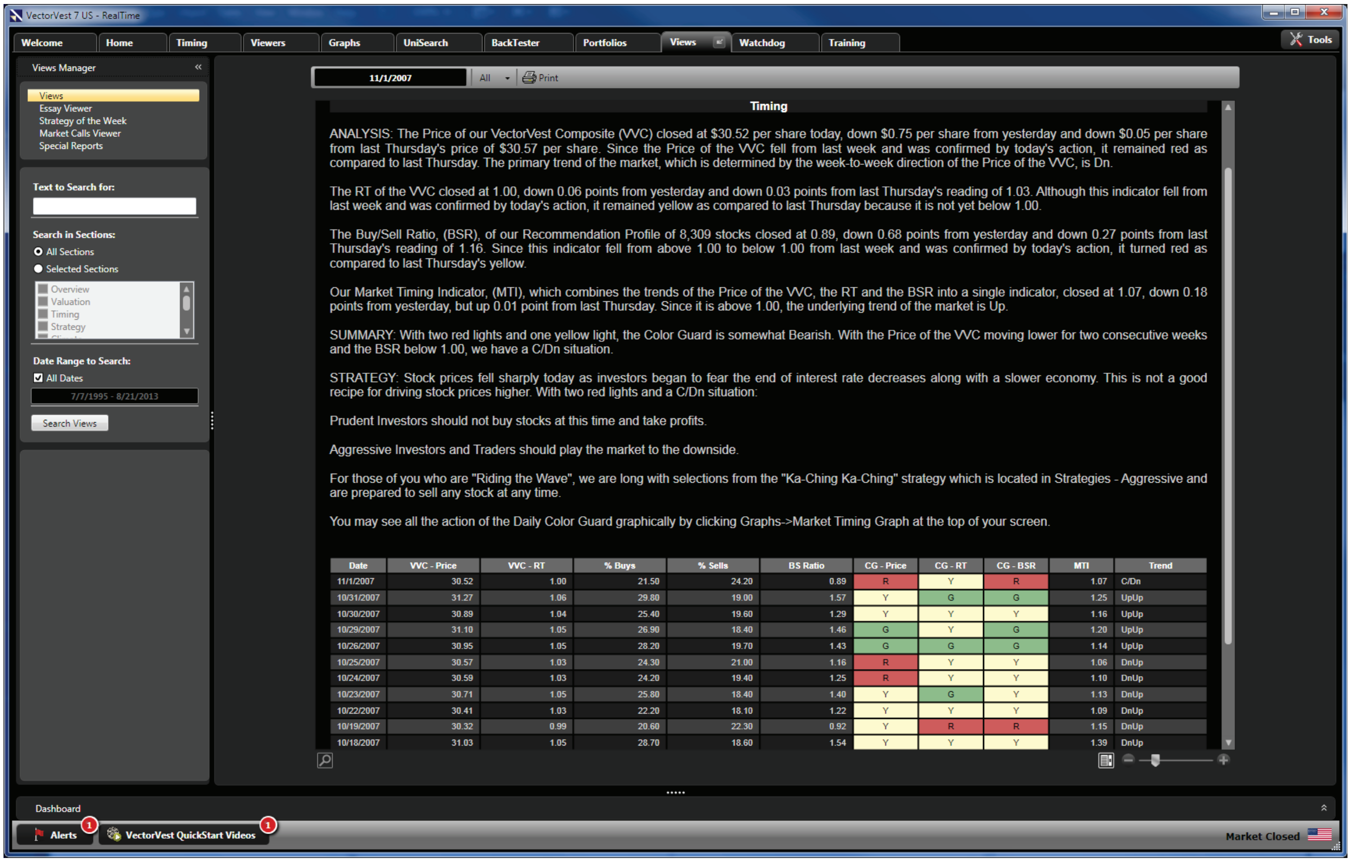
As indicated in Chapter I of "Stocks, Strategies & Common Sense," the answer is to "invest in stocks which have earnings growth rates greater than the sum of inflation and long-term interest rates." True, but you can't buy just any old stock. You need to buy stocks of the most successful companies—companies that crank out higher and higher earnings year-in and year-out. These are large capitalization stocks that have visibility and are favored by Pros.

…I'm quite sure that you can maintain your purchasing power by investing in Premier Growth Stocks.

OK, so how does one find these stocks? Simple, I created a strategy called Premier Growth Stocks and put it into the Strategies — Retirement Group of the UniSearch Tool. I tested it over three time periods covering a total of 126 months: (1). January 5, 1996 to March 24, 2000; (2). March 21, 2003 to November 1, 2007; and (3). March 26, 2009 to December 2, 2009. I stayed "Long" 100 percent of the time during each test period and managed the 10 stock portfolios on a weekly basis. The Average Annualized Rate of Return for the three tests was 51.65% and the Average Maximum Drawdown was 14.15%. The Premier Growth Stocks Portfolio outperformed the VectorVest Composite in each test.

I tested the Premier Growth Strategy during the two Bear markets between the periods cited above and the results were not pretty. I have some ideas on how to cope with this problem for those who need or want to be long all the time, but for now my suggestion is to go into cash or buy some Contra ETFs when the next Bear market arrives. Yes, but how does one know when a Bear market has arrived? Simply read the Views. We called the one in March 2000. We called the one in November 2007, and we expect to be able to recognize the next one when it comes. Moreover, I plan to start a Premier Growth Stock portfolio next year so you can use that as a guide.

Right now I'm quite sure that you can maintain your purchasing power by investing in Premier Growth Stocks.

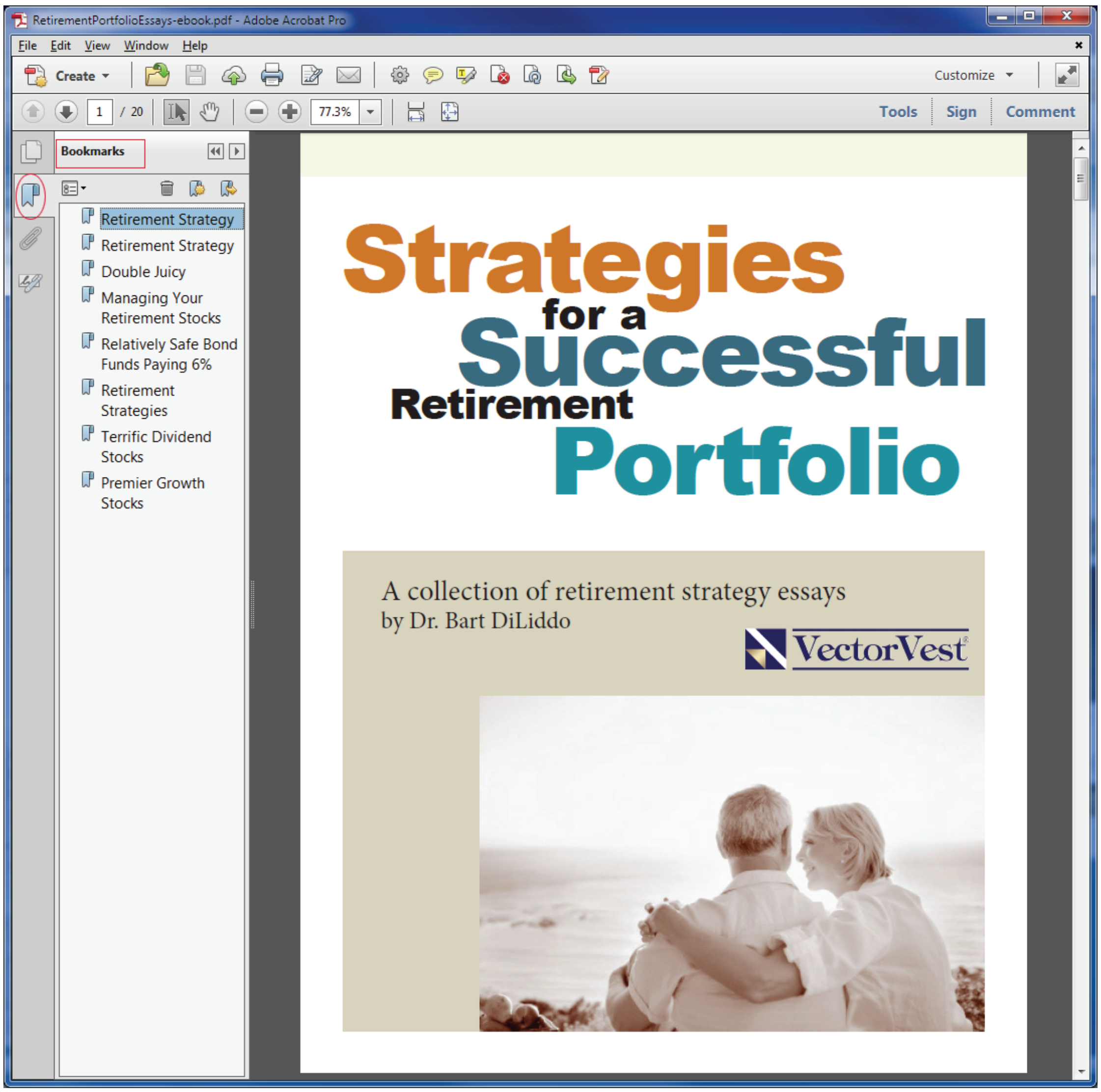


The Bear Markets are not kind to those who like to stay "long" on their trades. So how does a prudent investor cope with this problem? By reading the Views in VectorVest, that's how! VectorVest has a great track record of calling Bears (and Bulls!), which helps you time the market.

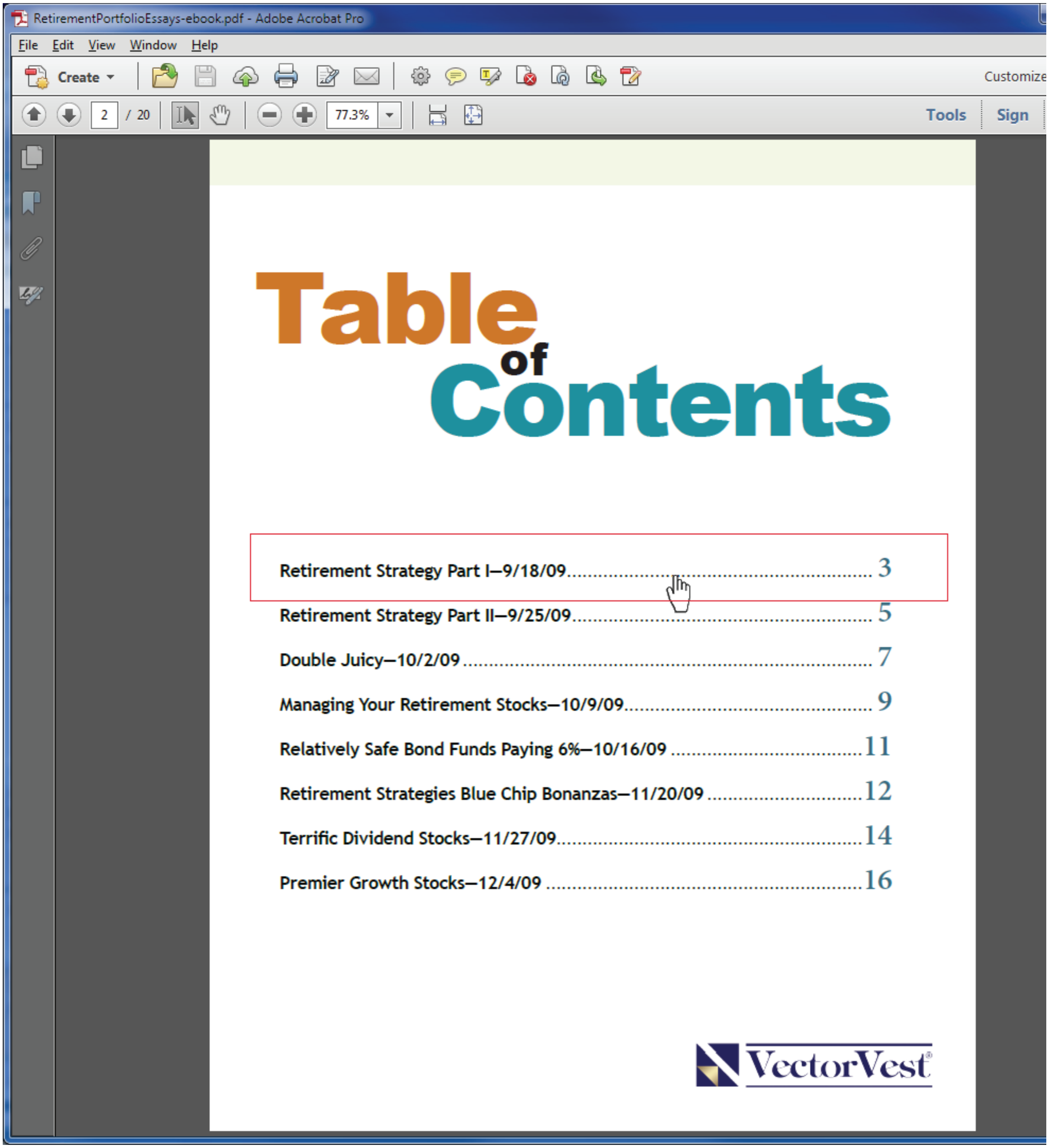
Appendix

How to use this e-book

This e-book is an interactive PDF. You can download it to your computer and view it in Adobe® Acrobat Reader, Adobe® Acrobat Professional or Apple® Preview. If you prefer, you can always print it out. For ease of navigation, the Table of Contents is bookmarked, so you can click on the entries and you will be taken to the corresponding chapter. Also, in Acrobat (Reader or Professional), you can go to the bookmarks and navigate to the different chapters from there.



A screenshot of Adobe® Acrobat. The second icon to the upper-left houses Bookmarks. Click on it and the Bookmarks menu opens. You can click on them to navigate to the chapter you want to view. You can click on the Bookmark icon again to collapse the menu.



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The Table of Contents is interactive, too! Hover over the desired chapter and the pointer cursor turns into a hand cursor. This means the area is a hyperlink. Click on it and you will be taken to the corresponding chapter!

Strategies for a Successful Retirement Portfolio

We at VectorVest hope you enjoyed this e-book. The information contained herein is for informational purposes only. All trades involve risk. Past performance is not indicative of current or future market conditions.

A collection of retirement strategy essays
by Dr. Bart DiLiddo