

 **DOW THEORY**
FORECASTS®

BUYER'S GUIDE TO

**THE BEST
DIVIDEND
AND INCOME
INVESTMENTS**



1st Quarter 2008

DRIP
investor®

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Creating your own income

Even for investors who depend on cash flow from their portfolios, total return is more important than income. And in today's market, the best way to get total return is to buy stocks with solid potential for both capital gains and dividend growth. If you limit your selections to high-yielding stocks, most of which have only modest appreciation potential, you limit your total-return potential, and thus your ability to generate cash flows from the portfolio.

As the table below shows, a portfolio of stocks with a modest yield and solid capital gains (10% total return) can deliver both higher cash flows and more principal growth than a portfolio of stocks with a high yield and modest capital gains (8% total return) — provided you're willing to sell stocks to raise the cash. Cash flows listed below assume Portfolio A pays out 5% of its value in dividends each year, while the investor with Portfolio B collects dividends equal to 2% of the portfolio value and sells shares equal to 3% of the portfolio value each year. Portfolio values do not reflect taxes or transaction costs, but the holder of Portfolio B has more control over the tax burden, as he may be able to sell losers and offset some of the dividend income.

Portfolio A yields 5%, with capital gains of 3%

	<i>Value</i>	<i>Cash Flow</i>
Year 1	\$100,000	\$5,000
Year 2	103,000	5,150
Year 3	106,090	5,305
Year 4	109,273	5,464
Year 5	112,551	5,628
Year 6	115,927	5,796
Year 7	119,405	5,970
Year 8	122,987	6,149
Year 9	126,677	6,334
Year 10	130,477	6,524
Year 11	134,392	6,720
Year 12	138,423	6,921
Year 13	142,576	7,129
Year 14	146,853	7,343
Year 15	151,259	7,563
Year 16	155,797	7,790
Year 17	160,471	8,024
Year 18	165,285	8,264
Year 19	170,243	8,512
Year 20	175,351	8,768

Portfolio B yields 2%, with capital gains of 8%

	<i>Value</i>	<i>Yield</i>	<i>Sale Of Stock</i>	<i>Cash Flow</i>
Year 1	\$100,000	\$2,000	\$3,000	\$5,000
Year 2	104,760	2,095	3,143	5,238
Year 3	109,747	2,195	3,292	5,487
Year 4	114,971	2,299	3,449	5,749
Year 5	120,443	2,409	3,613	6,022
Year 6	126,176	2,524	3,785	6,309
Year 7	132,182	2,644	3,965	6,609
Year 8	138,474	2,769	4,154	6,924
Year 9	145,065	2,901	4,352	7,253
Year 10	151,971	3,039	4,559	7,599
Year 11	159,204	3,184	4,776	7,960
Year 12	166,782	3,336	5,003	8,339
Year 13	174,721	3,494	5,242	8,736
Year 14	183,038	3,661	5,491	9,152
Year 15	191,751	3,835	5,753	9,588
Year 16	200,878	4,018	6,026	10,044
Year 17	210,440	4,209	6,313	10,522
Year 18	220,457	4,409	6,614	11,023
Year 19	230,950	4,619	6,929	11,548
Year 20	241,944	4,839	7,258	12,097

All about preferred stocks

By our count, more than 1,000 preferred stocks are available to U.S. investors. With so many choices, how do you separate the good from the bad and the just plain ugly? Instead of blindly picking the highest yielders, know what you are buying before placing your order.

A preferred stock is a lot like a bond with no maturity date. Thus, traditional preferreds are often referred to as perpetual securities. As with most bonds, interest payments on preferreds are generally fixed. Most preferreds pay dividends quarterly, but some pay monthly and a few pay semiannually. Note that in the event of bankruptcy or corporate liquidation, bondholders are paid before preferred stockholders.

Similar to the price of a bond, the price of a preferred stock is affected by changes in the level of interest rates. In general, if interest rates go down, the price of a preferred will increase. Conversely, if rates go up, the price will fall. All things equal, long-term fixed-income investments are more sensitive to changes in interest rates than shorter-term securities. Because most preferreds have no maturity, their prices can be as volatile as very long-term bonds. With many expecting interest rates to climb, do not overlook this risk.

Most preferred stocks are callable, which is for the benefit of the issuing company, not the investor. If interest rates go down, the issuer may “call,” or pay off, its preferred shares. Unfortunately, if your preferred is called, you may not be able to earn the same yield if you reinvest the money.

Preferreds are highly sensitive to deterioration in a company’s credit-worthiness. Credit ratings for preferreds are published by Moody’s and Standard & Poor’s, among others. The ratings are not investment recommendations. However, they do gauge how likely an issuer is to honor its

DIVIDENDS EVERY MONTH

A portfolio comprised of the five high-quality preferreds listed below would pay dividends every month.

<i>Preferred (Price; Ticker)</i>	<i>Dividend</i>	<i>Current Yield</i>	<i>Pay Dates</i>
Lehman Brothers, Floating Rate Pfd. G (\$20; LEH-G)	\$0.78	3.9%	Monthly
Alabama Power Co., 5.20% Pfd. N (\$20; ALP-N)	1.30	6.4	Jan/Apr/Jul/Oct
Bear Stearns, 5.49% Cumul. Pfd. G (\$36; BSC-G)	2.75	7.7	Jan/Apr/Jul/Oct
General Am. Inves., 5.95% Cumul. Pfd. B (\$23; GAM-B)	1.49	6.5	Mar/Jun/Sep/Dec
RenaissanceRe, 6.08% Pfd. C (\$19; RNR-C)	1.52	8.0	Mar/Jun/Sep/Dec

Directory of dividend information for S&P 500 stocks

The following is a directory of dividend information for all the stocks that comprise the S&P 500 index. Each listing includes the name of the company, the stock symbol, current price, dividend, dividend yield, dividend payment schedule, dividend growth, and sector.

Please note that not all of the stocks in the S&P 500 index pay dividends. Also note that companies may have altered dividend payments since this directory was published. Newly added stocks are in **bold**.

<i>Name (Symbol)</i>	<i>Recent Price</i>	<i>Div.</i>	<i>Yield</i>	<i>Dividend Payment Dates</i>	<i>5-Year Dividend Growth</i>	<i>Sector</i>
3M (MMM)	\$84	\$1.92	2.3%	Mar, Jun, Sep, Dec	9%	Industrials
Abbott Laboratories (ABT)	56	1.30	2.3	Feb, May, Aug, Nov	7	Health Care
Abercrombie & Fitch (ANF)	80	0.70	0.9	Mar, Jun, Sep, Dec	NA	Cons. Discret.
ACE (ACE)	62	1.06	1.7	Jan, Apr, Jul, Oct	11	Financials
Adobe Systems. (ADBE)	43	0.00	0.0	none	NA	Technology
Advanced Micro Dev. (AMD)	8	0.00	0.0	none	NA	Technology
AES (AES)	21	0.00	0.0	none	NA	Utilities
Aetna (AET)	58	0.04	0.1	Annual	32	Health Care
Affiliated Comp. (ACS)	45	0.00	0.0	none	NA	Technology
AFLAC (AFL)	63	0.82	1.3	Mar, Jun, Sep, Dec	23	Financials
Agilent Technologies (A)	37	0.00	0.0	none	NA	Technology
Air Products & Chem. (APD)	99	1.52	1.5	Feb, May, Aug, Nov	13	Materials
Akamai Technologies (AKAM)	35	0.00	0.0	none	NA	Technology
Alcoa (AA)	37	0.68	1.9	Feb, May, Aug, Nov	0	Materials
Allegheny Energy (AYE)	64	0.00	0.0	Mar, Jun, Sep, Dec	NA	Utilities
Allegheny Technologies (ATI)	86	0.72	0.8	Mar, Jun, Sep, Dec	-12	Materials
Allergan (AGN)	64	0.20	0.3	Mar, Jun, Sep, Dec	2	Health Care
Allied Waste Inds. (AW)	11	0.00	0.0	none	NA	Industrials
Allstate (ALL)	52	1.52	2.9	Jan, Apr, Jul, Oct	13	Financials
Altera (ALTR)	19	0.16	0.8	Semi-Annual	NA	Technology
Altria Group (MO)	76	3.00	4.0	Jan, Apr, Jul, Oct	8	Cons. Staples
Amazon (AMZN)	93	0.00	0.0	none	NA	Cons. Discret.
Ambac Financial (ABK)	26	0.84	3.3	Mar, Jun, Sep, Dec	14	Financials
Ameren (AEE)	54	2.54	4.7	Mar, Jun, Sep, Dec	0	Utilities
Am. Capital Strategies (ACAS)	33	4.00	12.1	Jan, Apr, Jul, Oct	8	Financials
American Elec. Power (AEP)	47	1.64	3.5	Mar, Jun, Sep, Dec	-9	Utilities
American Express (AXP)	52	0.72	1.4	Feb, May, Aug, Nov	11	Financials
American Int'l Group (AIG)	58	0.80	1.4	Mar, Jun, Sep, Dec	32	Financials
American Tower (AMT)	43	0.00	0.0	none	NA	Telecom
Ameriprise (AMP)	55	0.60	1.1	Feb, May, Aug, Nov	NA	Financials
Amerisourcebergen (ABC)	45	0.30	0.7	Mar, Jun, Sep, Dec	32	Health Care
Amgen (AMGN)	46	0.00	0.0	none	NA	Health Care
Anadarko Petroleum (APC)	66	0.36	0.5	Mar, Jun, Sep, Dec	26	Energy
Analog Devices (ADI)	32	0.72	2.3	Mar, Jun, Sep, Dec	NA	Technology
Anheuser-Busch (BUD)	52	1.32	2.5	Mar, Jun, Sep, Dec	10	Cons. Staples
Aon (AOC)	48	0.60	1.3	Feb, May, Aug, Nov	-8	Financials
Apache (APA)	108	0.60	0.6	Feb, May, Aug, Nov	30	Energy
Apartment Inv. &Mgt. (AIV)	35	2.40	6.9	Feb, May, Aug, Nov	-5	Financials
Apollo (APOL)	70	0.00	0.0	none	NA	Cons. Discret.