3 Dividend Plays with Sky-High Returns

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Dr. Mark Skousen's
SPECIAL REPORT
For *Skousen CAFÉ* Subscribers Only

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Sky-High Dividend Play #1: Verizon (VZ)

Verizon pays a roughly 5% dividend yield -- which is on the low side for my dividend liking, but here's why it makes the list:

It is both a growth opportunity AND a value play, largely thanks to its massive recurring revenue, cheap valuation and ample dividend.

The numbers at Verizon are excellent, across the board. Third-quarter earnings jumped 47%. The company enjoys a 25% operating margin. Management is earning a massive 31% return on equity.

Yet, the stock currently sells for less than 10 times earnings, making it quite the bargain. Bottom line: Verizon’s portfolio of broadband and mobile products and services will continue to lead the industry.

And, as expected, the company delivered, in its Q4 2021 results -- exceeding Wall Street's consensus. As such, the outlook is extremely encouraging for the rest of 2022 and beyond.

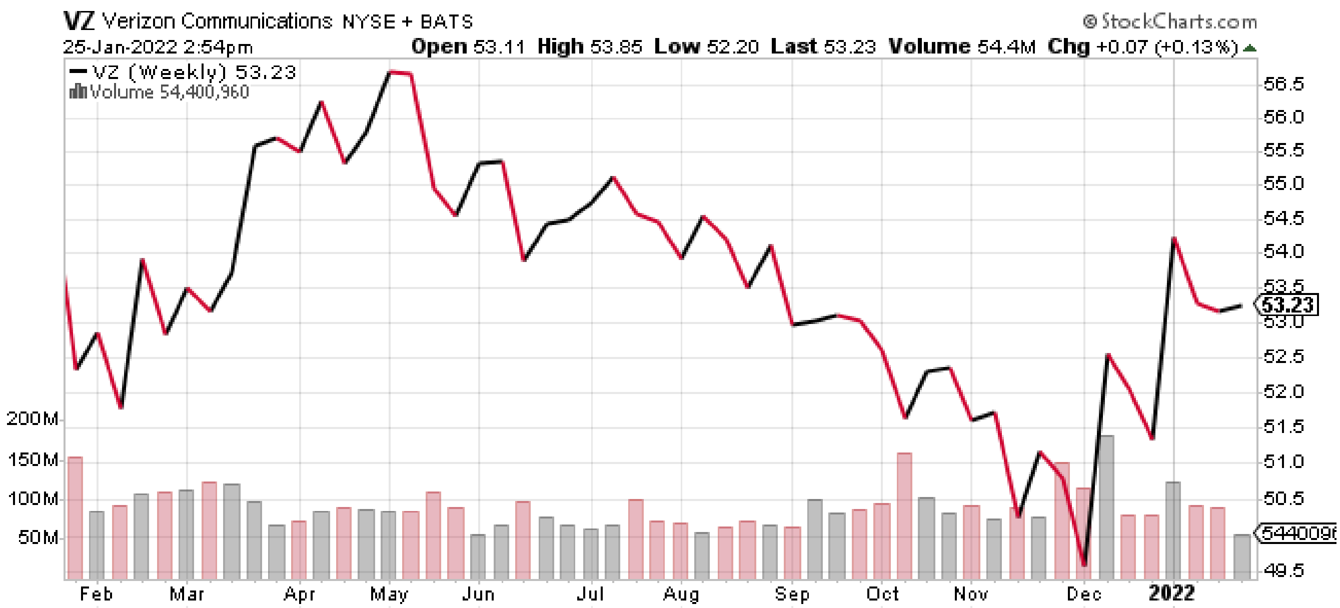

Chart courtesy of [Stockchart.com]

Now is the time to add the shares to your portfolio. This company is looking to have a great 2022 so get in this stock now before it takes off.

Sky-High Dividend Play #2: Enterprise Products Partners (EPD)

A nice way to diversify your holdings and profit from the energy boom is available through **Enterprise Products Partners (EPD: 8.2% yield)**, a Houston-based pipeline company that is America's largest pipeline operator.

It has a track record of acquiring new companies and additional natural gas assets, as well as a rising dividend policy.

Even in the midst of the pandemic, EPD managed to grow its dividend, marking the 24th year in a row the company has increased its quarterly dividend payout.

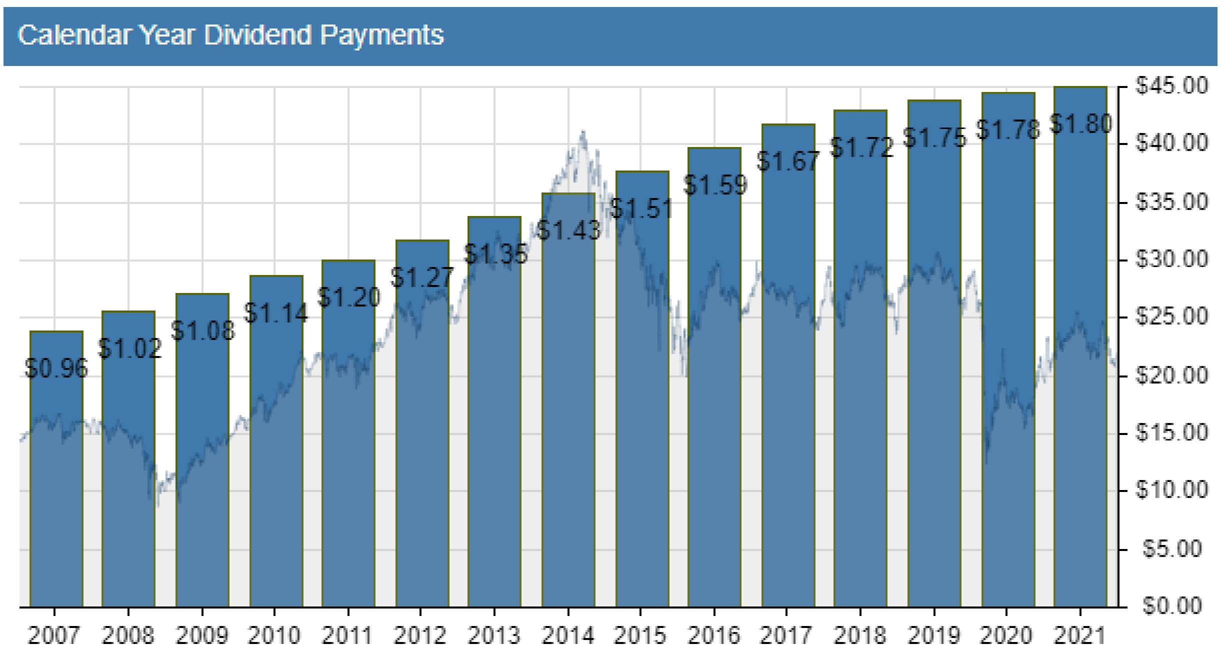

Chart courtesy of StockRover.com

Enterprise is a master limited partnership (MLP) that provides a range of services to producers and consumers of natural gas, natural gas liquids (NGLs), crude oil, refined products and petrochemicals in the continental U.S., Canada and the Gulf of Mexico.

As an MLP, most profits flow straight through the company to unit holders and are untaxed as distributions. Investors are then responsible for paying the taxes on their share of MLP income, which involves a lot of paperwork. But it may be worth it.

Enterprise Products Partners is highly recommended for income seekers. As a master limited partnership, nearly all of the company's dividend distributions are tax-deferred, allowing it to pay a substantially higher income to shareholders and provide a steady stream of cash distributions.

Pipeline companies such as EPD are benefiting from the oil and gas boom in the United States and enjoying an increase in demand for the transportation of energy products.

In addition, EPD has better metrics than its competitors — higher revenue growth, higher net margins and an enviable rising quarterly dividend policy.

What a money machine!

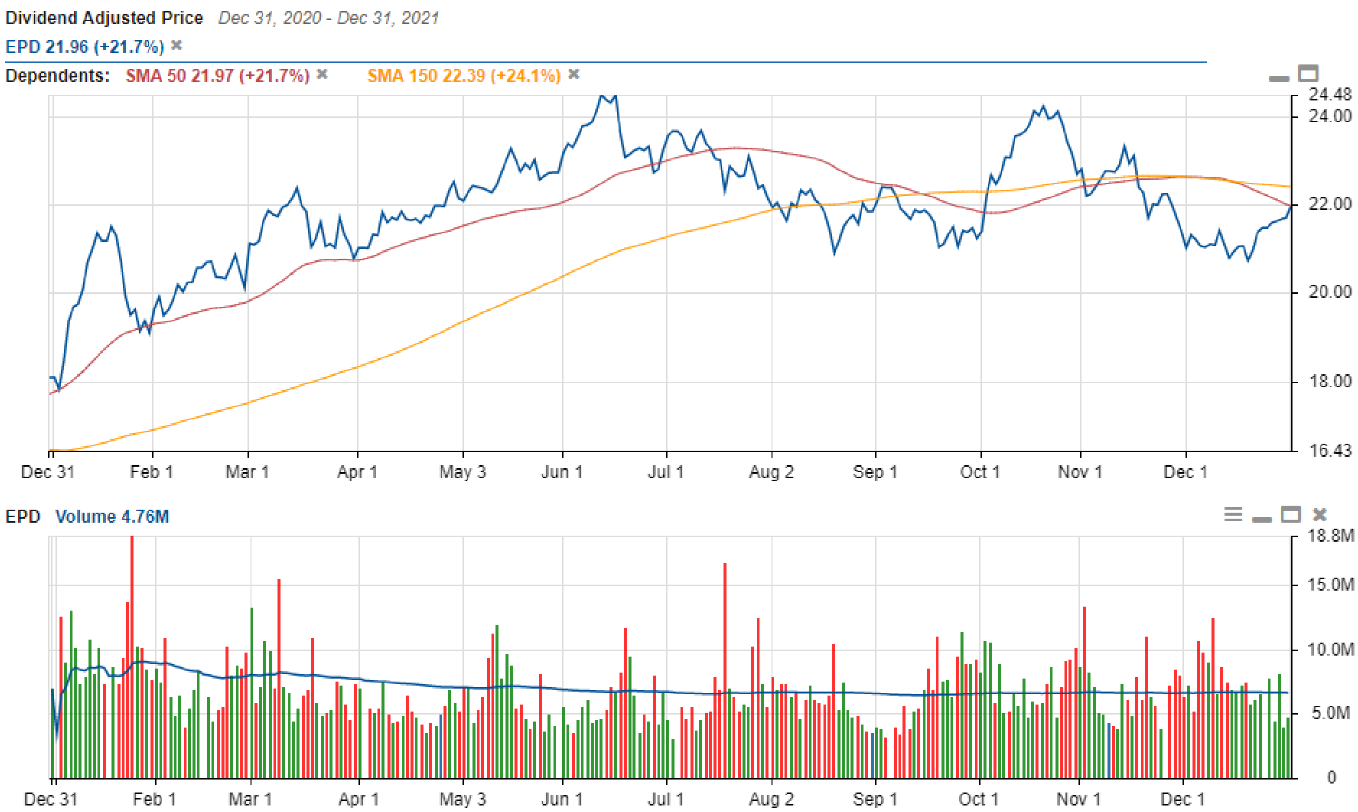

Chart courtesy of StockRover.com

EPD is currently trading at a discount and has the potential to offer massive long-term gain to investors. Consider adding shares to your portfolio for a large, reliable income from dividend distributions.

Sky-High Dividend Play #3: Omega Healthcare Investors (OHI)

Omega Healthcare Investors (OHI: 9.1% yield) is a great way to take advantage of the "aging of America."

This Maryland-based owner of more than 400 nursing and assisted living facilities in 35 states is a real estate investment trust (REIT), which still has plenty of room for further acquisitions of health-related properties.

Despite struggling early in 2018, due to rising interest rates, Omega offers a healthy balance sheet and bottom line.

Omega has had a rising dividend policy for the past 10 years. Today, Omega pays out a $0.67 quarterly dividend, which translates into a whopping 9.1% annualized yield. It is arguably the best current bargain in the *Forecasts & Strategies* portfolio.

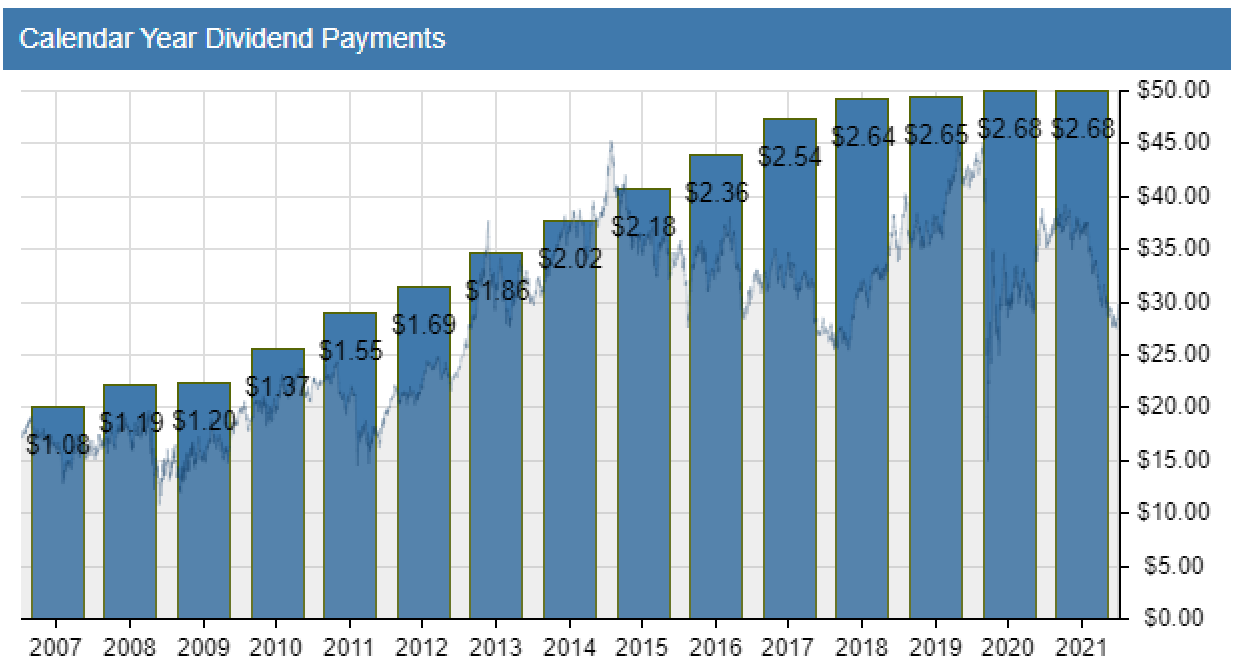

Chart courtesy of StockRover.com

Although the dividend yield is slightly inflated due to a recent price pullback, even at its 52-week high, OHI yielded an incredible 7.0%.

Additionally, this company is perfectly set up for continued dividend growth. It collects huge rent payments from hospitals all over the country and then passes more than 90% of its profits on to shareholders. By paying out over 90% of its profits, Omega also avoids any income taxes, allowing the company to increase payments at even faster rates.

Chart courtesy of StockRover.com

OHI's share price has dropped considerably in the last few months, buts its balance sheet and cash flow still look strong. Consider a buy and hold strategy for shares of this uber-high dividend REIT while it trades at a massive discount.

The Special Advantages of Dividend-Paying Equities

Historically, dividend-paying equities have been found to outperform their non-dividend-paying counterparts.

Jeremy Siegel, a distinguished finance professor at the Wharton School of the University of Pennsylvania, has championed research about long-term stock and bond returns to help investors enhance their performance.

Siegel has also authored a best-selling book, "Stocks for the Long Run," that supports the advantages of long-term investing.

Keep in mind that the Federal Reserve is in the driver's seat. Since monetary policy is far more important than fiscal policy (taxes, regulations and deficits), in the short run, we're profiting.

However, due to the comparatively limited upside right now in long-term bonds, interest-bearing investments are not currently in our portfolio.

The vast majority of my *Forecasts & Strategies* recommendations are in high-dividend-paying stocks and funds.

Take a look at the chart below to see the results of investing in dividend-paying stocks.

The Fed's easy-money policies have offered many good opportunities for investors in dividend-paying equities that tend to hold their value, compared to investing in growth stocks that typically do not pay dividends.

The management of dividend-paying companies also needs to stay disciplined in investing capital in new projects, since a certain amount of cash must go to investors each year through quarterly or even monthly dividend payments.

"Standard Oil's high dividend yield made a huge difference in boosting its return," Professor Siegel wrote when comparing its superior returns to those of IBM for the same period of time.

Despite lower sales and earnings than IBM, Standard Oil's regular dividend payments more than made up for the company's other shortcomings regarding its return to investors when measured against IBM.

There is mounting evidence that public companies that pay regular dividends produce better long-term growth prospects and lower risk patterns than those produced by non-dividend-paying growth companies.

Since those dividend-paying companies tend to be large-market and mid-market cap stocks that have been around for many years, they are not normally vulnerable to the extreme valuations that affect growth and technology companies.

Finally, dividend payers stay married to their mission of providing a return to investors.

Show Me the Money

A cash dividend is the only real evidence that a company is doing its job of working for you, the shareholder, and not just for its executives and employees. Think about all the corporate scandals, accounting schemes and fictitious earnings reports of the recent past.

Now consider the satisfaction of receiving a check in the mail, or a deposit directly into your brokerage account. It is comforting to know that a company actually earned enough money to pay you, the shareholder.

Cash dividends are not subject to revisions, unlike corporate earnings. Revenues can be booked in one year or spread across several years. Capital assets can be sold and listed as ordinary income. Liabilities can be accounted for during a single year or spread out for several years. However, cash paid into your account is a litmus test for true corporate earnings.

While there have been a few dividend scandals, they are extremely rare. The reality is that dividends must be paid out of earnings, so there is no corporate trickery. To quote the title of Geraldine Weiss' classic book, "Dividends Don't Lie."

A corporate requirement to pay regular dividends instills the same kind of discipline on a company's management, as a mortgage payment does on someone who is paying off a home loan.

A company that pays a dividend is similar to an investor who commits to a 401(k) or a savings plan. The money that pays dividends is not naturally available to be squandered on risky projects that a disciplined management team would forgo.

In addition, dividend stocks beat the market. Research has shown that dividend-weighted indexes surpass market-weighted indexes by 300 basis points each year over the long run.

A diversified portfolio of dividend-oriented stocks tends to outperform a portfolio of non-dividend-paying stocks, both domestically and internationally. Seldom do you find a high-flying stock that has a large market capitalization and pays a sizable dividend.

Studies also show that dividend-paying stocks are less risky than non-dividend payers. By investing in stable companies, you avoid the high-wire ventures of aggressive growth stocks.

Remember the technology bubble of the late 1990s? When you invest in dividend-paying stocks, you avoid buying shares of public companies such as Enron and eToys.

Both of those companies flamed out. Enron's accounting scandal brought the company to an embarrassing end.

It is during bear markets when dividend-paying stocks really shine. The dividend payout provides a cushion when growth stocks are faltering.

The prospect of a dividend payment helps to buoy a stock, while a non-dividend payer is vulnerable to a deep fall, since it lacks a cash payment to keep investors from selling their shares.

To be clear, dividend payers can lose value, but they tend not to fall as much as aggressive growth stocks that do not make payments to their shareholders.

Be sure to use "stop" orders to protect your capital gains when investing.

Generally, I suggest a "stop" order within 10-15% of your buy price. In my newsletter and hotline, I will inform you when we receive a "stop" order on an income investment.

For example, we have taken profits on dividend-paying equities, junk bond funds, municipal bond funds and real estate investment trusts (REITs) after they hit our "stop" orders.

Finally, try to buy after a big sell-off, which can be triggered by a new government policy, change in the direction of interest rates, insiders buying shares, etc.

Conclusion: You Can Earn High Income in a Low Interest Environment

Since even dividend-oriented investments can fall in value, the use of stops can save you from the risk of harrowing market drops.

We have covered three exceptional dividend-paying investments in this special report.

Keep in mind, because high-yielding investments are inherently risky, you must be careful in your approach.

To survive and prosper in this dangerous arena, remember the rules:

— Diversify into a number of different investments.

— Watch your investments closely and use a “stop” order to protect your principal.

— Patiently wait to buy after a big sell-off, due to a new government policy, a change in the direction of interest rates, large investors bailing out, etc.

Biography

Mark Skousen, Ph. D., editor of Skousen CAFÉ and *Forecasts & Strategies*, is a nationally known investment expert, economist, university professor and author of more than 25 books. He recently was named one of the 20 most influential living economists, and he was awarded the *Triple Crown in Economics* during a special presentation with Steve Forbes.

Mark earned his Ph.D. in monetary economics at George Washington University in 1977. He has taught economics and finance at Columbia Business School, Columbia University, Barnard College, Mercy College, Rollins College and Chapman University. He has also been a consultant to IBM, Hutchinson Technology and other Fortune 500 companies.

Since 1980, Skousen has been the editor-in-chief of *Forecasts & Strategies*, a popular award-winning investment newsletter. He is also the editor of four trading services, *Five Star Trader*, *Home Run Trader*, *Fast Money Alert* and *TNT Trader*.

He is the producer of FreedomFest, "the world's largest gathering of free minds," which meets every July in Las Vegas. (**www.freedomfest.com**). FreedomFest attracts several thousand people from around the world.

He is a former analyst for the CIA, a columnist for *Forbes* magazine (1997-2001) and former president of the Foundation for Economic Education (FEE) in New York.

He has written articles for *The Wall Street Journal*, *Reason*, *The Daily Caller*, *Christian Science Monitor* and *The Journal of Economic Perspectives*. He has appeared on CNBC, ABC, CNN, Fox News and C-SPAN Book TV.

Based on his work "The Structure of Production" (NYU Press, 1990), the federal government began publishing a broader, more accurate measure of the economy, Gross Output (GO), every quarter along with gross domestic product (GDP). It is the first macro-statistic of the economy to be published quarterly since GDP was invented in the 1940s.

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