Comparison of Three Investment Strategies for Financial Independence

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This paper discusses how investors can achieve financial independence regardless of timing in the market. To do this, we study three investors referred to as the luckiest, average, and unluckiest investors in the market. Using the S&P Dividend Aristocrats Index, each selects the same stocks and then continues, each quarter for fifteen years, to invest the same amount and reinvest the dividends in each stock. But their timing is different; the lucky investor invests at the low point of the market whereas the average and unlucky investors invest at the average and high points. Amazingly, each investor achieves financial independence.

INTRODUCTION

For most individuals, investment alternatives are limited to stocks and bonds. Few individuals have the expertise necessary to invest in real estate, collectables, natural resources, precious gems, etc. Even investment in real estate on a personal level is usually limited to one's home. And although home equity has been the major component on one's net worth statement for decades, with the collapse of the real estate market in 2008, 2009, and 2010, it has approached zero or even gone under water for many.

In his ground-breaking book, Stocks for the Long Run, Jeremy Siegel argues that, over the past 200 years, stocks have returned much more than bonds at only slightly more risk (Siegel, 2007). On an annualized basis, stocks have generated 10% over this time period. Moreover, with a steady and/or increasing dividend income, a stock's annualized total return often increases substantially. On the other hand, bonds are fixed income financial investments that have a significant purchasing power risk. The interest rate stipulated in the bond does not increase over the lifetime of the bond.

Financial independence is a necessity in today's economic environment. Job security prior to retirement and a minimum guaranteed income stream after retirement are fast becoming obsolete. Professional positions no longer attach a large degree of job security; and professional staffs at corporations, universities, military, and civil government are continually being downsized.

PERSPECTIVE

The purpose of this paper is to prove how one can become financially independent by incorporating the research of previous papers (Spaht & Rubin, 2007; Rubin & Spaht, 2010; Rubin & Spaht, 2011; Spaht

& Rubin, 2012; Rubin & Spaht, 2013) dealing with dividend growth, reinvestment of dividends, and dollar cost averaging with the authors' current research. The premise is that this type of investment strategy results in financial independence.

Don Kilbride, manager of the $17 billion Vanguard Dividend Growth Fund, focuses on dividend growth as the critical factor in the success of his fund. The thesis of his strategy is the compounding of dividends. He invests in companies that are growing and returning a portion of that growth to stockholders in the form of dividends (Kapadia, 2013).

Donald Yacktman, president of the $30 billion Yacktman Asset Management, has beaten 99% of his peer mutual funds in *Morningstar's* large-cap blend category. His strategy utilizes the buy-and-hold strategy where he buys and then holds stocks for years (Strauss, 2013).

Mark Hulbert, editor of the *Hulbert Financial Digest*, believes that a stock's average dividend yield is a mark of the company's financial quality. Such stocks have held steady in major market declines. They are usually the highest-quality blue chip stocks of large and well-established companies that pay dividends, have little debt, and have a long and consistent record of earnings growth (Hulbert, 2013). His idea is that consistent and growing dividends are a function of consistently growing earnings over a long period of time.

Jason Zweig, who writes the "Intelligent Investor" column in the *Wall Street Journal*, believes that the investor has imperfect self-knowledge concerning when to buy and when to sell. He writes that most investors buy and sell when they have the urge, with the result that they earn lower returns than market indexes (Zweig, 2013).

This paper discusses how a stock market investor can become financially independent regardless of timing in the market. To accomplish this, we analyzed three investors. We refer to them as the luckiest, average, and unluckiest investors in the market; and define them as those individuals who, for several years on a continuous basis, invest at the low, average, and high points in the market, respectively.

ANALYSIS

The investment strategy of our three investors described in the above paragraph involved the selection of a sample of 10 stocks for the time period from 1993 – 2007 from the *S&P 500 Dividend Aristocrats Index*. The sample was further limited to those stocks that had a strong buy or buy recommendation from the S&P equity analysts. The sample also included only those stocks that had a record of consistency in increasing dividends for at least the last 25 years. The 15 year period from 1993 to 2007 was selected because it contained almost equally good years and bad years in the stock market. The bad years are represented with the collapse of the tech bubble at the end of 2000 while the good years are represented with the stock market high in 2007.

The investors' initial investments are made in these stocks at their low, average, and high points. Then, on a quarterly basis for the entire select period of time, they reinvest the dividends and invest a fixed dollar amount, also at the stocks' low, average, and high points.

So let's assume that in 1993, our lucky, average, and unlucky investors made an initial investment in the manner described above in 10 randomly selected stocks contained in the *S&P 500 Dividend Aristocrats Index*. The 10 stocks selected were Abbott Labs; Aflac, Inc.; Becton, D'son; Coca-Cola; Exxon Mobil; Johnson & Johnson; McDonald's; PepsiCo, Inc.; Proctor & Gamble; and Wal-Mart Stores. The investors made an initial investment of $5,000 in each of these 10 stocks at their low, average, and high points, and then, for 15 years on a quarterly basis, they (1) reinvested the dividends at the 10 stocks' low, average, and high points and (2) invested a fixed sum of $125 (total of $500 per year or $7,500 for the 15 year period) also in each of the stocks' low, average, and high points.

Under those assumptions, the following questions were investigated and answered. How much did the stock value of the three portfolios grow over the 15 year period? How much did their dividend income grow? Were the final values of the portfolios significantly different? Do the results indicate that investing in high-quality, dividend paying stocks provide a safe and long-term plan for financial security?

The methodology in this paper involves the derivation of a formula used to compute accumulations in stock values and dividend income of the lucky, average, and unlucky investors. The results prove that, even given the best, average, or worst case scenarios of investing and reinvesting in the manner described above, each of the individuals achieved financial independence.

DCA-QDRIP FORMULA

To derive the DCA-QDRIP (Dollar Cost Averaging Quarterly Dividend Reinvestment Plan) formula, the formula used to compute accumulations in stock value, consider an arbitrary stock and let:

P(n) = the price per share of stock during the n^{th} year (P(n) is will be different for each of the investors. For the unlucky investor, P(n) will be the highest price per share during the n^{th} year; for the average investor, it will be the average of the highest and lowest of the year; and for the lucky investor, it will be the lowest price of the year.),

D(n) = the declared dividend per share of the n^{th} year,

A(n) = the dollar amount invested to purchase additional shares of stock during the n^{th} year (this value is assumed to be \$125 per quarter or \$500 per year in this paper),

S = the number of shares initially purchased,

S_i = the number of shares owned at the end of the i^{th} quarter,

and S_{Pi} = the number of shares purchased during the i^{th} quarter.

Two assumptions are made in the derivation of the formula. First of all, P(n) will remain constant for each of the investors and not fluctuate throughout the year. Secondly, since the dividend is normally declared annually and distributed quarterly, it also will remain constant throughout the year and not change until the first quarter of the following year. Note that since S_i is the number of shares owned at the end of the i^{th} quarter, then S_{i-1} represents the number of shares owned at the beginning of the i^{th} quarter.

Under the above assumptions, the amount of dividend (DIV(i)) generated by one share of stock and used to purchase additional shares of stock during the i^{th} quarter is:

$$DIV(i) = .25D\left(\left[\frac{i-1}{4}\right]+1\right), \tag{1}$$

where [ ] denotes the greatest integer function. Also, the price (PRICE(i)) per share of stock (which will be different for each investor) over this same time period is:

$$PRICE(i) = P\left(\left[\frac{i-1}{4}\right]+1\right). \tag{2}$$

Thus the quotient,

$$\frac{DIV(i)}{PRICE(i)} = \frac{.25D\left(\left[\frac{i-1}{4}\right]+1\right)}{P\left(\left[\frac{i-1}{4}\right]+1\right)}, \tag{3}$$

represents the number of shares of stock purchased from the dividends of a single share of stock during the i^{th} quarter. This continuing process is illustrated in Table 1.

TABLE 1
SHARES PURCHASED FROM THE DIVIDENDS OF ONE SHARE OF STOCK

	Quarters			
Year	1	2	3	4
1	$\frac{.25D\left(\left[\frac{1-1}{4}\right]+1\right)}{P\left(\left[\frac{1-1}{4}\right]+1\right)}$	$\frac{.25D\left(\left[\frac{2-1}{4}\right]+1\right)}{P\left(\left[\frac{2-1}{4}\right]+1\right)}$	$\frac{.25D\left(\left[\frac{3-1}{4}\right]+1\right)}{P\left(\left[\frac{3-1}{4}\right]+1\right)}$	$\frac{.25D\left(\left[\frac{4-1}{4}\right]+1\right)}{P\left(\left[\frac{4-1}{4}\right]+1\right)}$
2	$\frac{.25D\left(\left[\frac{5-1}{4}\right]+1\right)}{P\left(\left[\frac{5-1}{4}\right]+1\right)}$	$\frac{.25D\left(\left[\frac{6-1}{4}\right]+1\right)}{P\left(\left[\frac{6-1}{4}\right]+1\right)}$	$\frac{.25D\left(\left[\frac{7-1}{4}\right]+1\right)}{P\left(\left[\frac{7-1}{4}\right]+1\right)}$	$\frac{.25D\left(\left[\frac{8-1}{4}\right]+1\right)}{P\left(\left[\frac{8-1}{4}\right]+1\right)}$
3	$\frac{.25D\left(\left[\frac{9-1}{4}\right]+1\right)}{P\left(\left[\frac{9-1}{4}\right]+1\right)}$	$\frac{.25D\left(\left[\frac{10-1}{4}\right]+1\right)}{P\left(\left[\frac{10-1}{4}\right]+1\right)}$	$\frac{.25D\left(\left[\frac{11-1}{4}\right]+1\right)}{P\left(\left[\frac{11-1}{4}\right]+1\right)}$	$\frac{.25D\left(\left[\frac{12-1}{4}\right]+1\right)}{P\left(\left[\frac{12-1}{4}\right]+1\right)}$
4	$\frac{.25D\left(\left[\frac{13-1}{4}\right]+1\right)}{P\left(\left[\frac{13-1}{4}\right]+1\right)}$	$\frac{.25D\left(\left[\frac{14-1}{4}\right]+1\right)}{P\left(\left[\frac{14-1}{4}\right]+1\right)}$	$\frac{.25D\left(\left[\frac{15-1}{4}\right]+1\right)}{P\left(\left[\frac{15-1}{4}\right]+1\right)}$	$\frac{.25D\left(\left[\frac{16-1}{4}\right]+1\right)}{P\left(\left[\frac{16-1}{4}\right]+1\right)}$
5	… … … …	… … … …	… … … …	… … … …

Also note that the number of shares (S_i) owned at the end of the i^{th} quarter is given by:

$$\begin{aligned} S_i &= S_{i-1} + S_{Pi} \\ &= S_{i-1} + S_{i-1} \bullet \frac{DIV(i)}{PRICE(i)} + \frac{.25A\left(\left[\frac{i-1}{4}\right]+1\right)}{PRICE(i)} \\ &= S_{i-1} + S_{i-1} \bullet \frac{.25D\left(\left[\frac{i-1}{4}\right]+1\right)}{P\left(\left[\frac{i-1}{4}\right]+1\right)} + \frac{.25A\left(\left[\frac{i-1}{4}\right]+1\right)}{P\left(\left[\frac{i-1}{4}\right]+1\right)}. \end{aligned}$$

For the purpose of this paper, since \$125 per quarter is used to purchase additional shares of stock, we have:

$$S_i = S_{i-1} + S_{i-1} \bullet \frac{.25D\left(\left[\frac{i-1}{4}\right]+1\right)}{P\left(\left[\frac{i-1}{4}\right]+1\right)} + \frac{125}{P\left(\left[\frac{i-1}{4}\right]+1\right)} \qquad (4)$$

which is the DCA-QDRIP formula.
Therefore, at the end of n years (or 4n quarters), the investor will have accumulated a value in stock of A dollars where:

$$A = P(n) \bullet S_{4n}$$

$$= P(n) \bullet \left[S_{4n-1} + S_{4n-1} \bullet \frac{.25D\left(\left[\frac{4n-1}{4}\right]+1\right)}{P\left(\left[\frac{4n-1}{4}\right]+1\right)} + \frac{125}{P\left(\left[\frac{4n-1}{4}\right]+1\right)} \right].$$

(Before proceeding further, it should be noted that since P(n) is different for each of the three investors, the value of A will also be different for each of the investors.)

RESULTS USING HIGH PRICES (UNLUCKIEST INVESTOR)

In referencing Table 2, if the investor had invested an initial $5,000 in each of the 10 stocks and reinvested the dividends generated by the stocks into the same stocks while also investing an additional $125 in each stock quarterly (all investments made at the high points of stocks' prices), then, at the end of 15 years, that portfolio would have grown in value from $50,000 to $542,081. The resulting percentage increase is 333.67% in total return which annualizes to a rate of 10.27%.

In referencing Table 3, by using the above investment protocol, the dividend income would have increased from $956 to $9,111. This results in an increase of 852.14 percentage return in dividend income growth at an annualized rate of 17.46%.

Thus, even if you happen to be the unluckiest investor in the market, always investing and reinvesting at the high points in the market, the total return as well as the income growth are impressive. Certainly both growth rates far exceed the rate of inflation, thereby not only preserving the purchasing power of the portfolio, but also allowing the investor to prosper.

RESULTS USING AVERAGE PRICES (AVERAGE INVESTOR)

In referencing Table 2A, if the investor had invested an initial $5,000 in each of the 10 stocks and reinvested the dividends generated by the stocks into the same stocks while also investing an additional $125 in each stock quarterly (all investments made at the average point of the stocks' prices), then, at the end of 15 years, that portfolio would have grown in value from $50,000 to $553,968. The resulting percentage increase is 343.17% in total return which annualizes to a rate of 10.43%.

In referencing Table 3A, by using the above investment protocol, the dividend income would have increased from $1,506 to $10,556. This results in an increase of 899.45 percentage return in dividend income growth at an annualized rate of 17.87%.

It may be somewhat surprising to note that the results of the average investor are not significantly greater than those of the unlucky investor.

RESULTS USING LOW PRICES (LUCKIEST INVESTOR)

In referencing Table 2B, if the investor had invested an initial $5,000 in each of the 10 stocks and reinvested the dividends generated by the stocks into the same stocks while also investing an additional $125 in each stock quarterly (all investments made at the low point of the stocks' prices), then, at the end of 15 years, that portfolio would have grown in value from $50,000 to $575,643. The resulting percentage increase is 360.51% in total return annualized at a rate of 10.72%.

In referencing Table 3B, the dividend income would have increased from $1,179 to $12,668. This results in an increase of 973.95 percentage return in dividend income growth at an annualized rate of 18.48%.

The authors' most surprising finding in developing this paper is that the annualized total returns (10.27%, 10.43%, 10.72%) and the annualized dividend returns (17.46%, 17.87%, 18.46%) of the unlucky, average, and lucky investors were only slightly different. The rate of returns from the unlucky to the lucky investor increased but not significantly. All of the rates were impressive and far exceeded

inflation. In each case, not only was the purchasing power of the portfolio preserved, but this process led to financial independence for each of the investors.

TABLE 2
STOCK VALUE GROWTH WITH DCA-QDRIP PLAN USING HIGH PRICES
1993-2007

Stocks Name	IIV	ICS	INS	FCS	FNS	FIV	% GAIN	ARR
Abbott Labs	5000	14.90	335.57	59.50	695.67	41,392.30	231.14	8.31
Aflac, Inc.	5000	5.20	961.54	63.90	1,613.43	103,098.00	724.78	15.10
Becton, D'son	5000	9.00	555.56	85.9	956.40	82,154.90	557.24	13.37
Coca-Cola	5000	22.30	224.22	64.30	456.45	29,349.50	134.80	5.86
Exxon Mobil	5000	17.30	289.02	95.30	682.54	65,045.60	420.37	11.62
Johnson & Johnson	5000	11.70	427.35	68.80	795.54	54,732.80	337.86	10.35
McDonald's Corp.	5000	14.50	344.83	63.70	690.91	44,011.10	252.09	8.75
PepsiCo, Inc.	5000	21.00	238.10	79.00	505.11	39,904.00	219.23	8.05
Procter & Gamble	5000	14.30	349.65	75.20	683.73	51,416.80	311.33	9.89
Wal-Mart Stores	5000	16.60	301.21	51.40	602.65	30,976.40	147.81	6.24
TOTAL	50,000					542,081.40	333.67	10.27

IIV = Initial investment value
ICS = Initial year's high cost per share
INS = Initial number of shares purchased
FCS = Final year's high cost per share
FNS = Final number of shares
FIV = Final investment value
% GAIN = Percentage total return (includes both reinvestment of dividends and investment of $125 per quarter per stock + initial $5,000 investment in each stock)
ARR = Annual rate of return in accumulations of stock value (includes both reinvestment of dividends and investment of $125 per quarter per stock + initial $5,000 investment in each stock)

TABLE 3
DIVIDEND GROWTH WITH DCA-QDRIP PLAN USING HIGH PRICES
1993-2007

Stocks Name	INS	IDS	IDI	FNS	FDS	FDI	% GAIN	ARI
Abbott Labs	335.57	0.34	122.90	695.67	1.30	904.37	635.85	15.32
Aflac, Inc.	961.54	0.06	61.73	1,613.43	0.80	1,290.74	1,991.09	24.25
Becton, D'son	555.56	0.17	101.50	956.40	0.98	937.27	823.47	17.21
Coca-Cola	224.22	0.34	81.75	456.45	1.36	620.77	659.39	15.58
Exxon Mobil	289.02	0.72	226.70	682.54	1.37	935.07	312.47	10.65
Johnson & Johnson	427.35	0.25	114.99	795.54	1.62	1,288.77	1,020.81	18.84
McDonald's Corp.	344.83	0.11	40.49	690.91	1.50	1,036.37	2,459.79	26.06
PepsiCo, Inc.	238.10	0.31	79.12	505.11	1.43	722.31	812.90	17.11
Procter & Gamble	349.65	0.28	105.26	683.73	1.28	875.18	731.48	16.33
Wal-Mart Stores	301.21	0.07	22.46	602.65	0.83	500.20	2,127.17	24.81
TOTAL			956.90			9,111.05	852.14	17.46

INS = Initial number of shares purchased
IDS = Initial declared dividend per share
IDI = Initial dividend income (beginning with end of first year)
FNS = Final number of shares
FDS = Final declared dividend per share
FDI = Final dividend income (last year)
% GAIN = Percentage return in dividend income growth (includes both reinvestment of dividends and investment of $125 per quarter per stock + initial $5,000 investment in each stock)
ARI = Annual rate of return in dividend income growth (includes both reinvestment of dividends and investment of $125 per quarter per stock + initial $5,000 investment in each stock)

TABLE 2A
STOCK VALUE GROWTH WITH DCA-QDRIP PLAN USING AVERAGE PRICES
1993-2007

Stocks Name	IIV	ICS	INS	FCS	FNS	FIV	% GAIN	ARR
Abbott Labs	5000	13.40	373.13	54.15	817.37	44,260.30	254.08	8.79
Aflac, Inc.	5000	4.65	1,075.27	54.55	1,867.36	101,865.00	714.92	15.01
Becton, D'son	5000	8.25	606.06	77.60	1,089.55	84,549.10	576.39	13.59
Coca-Cola	5000	20.65	242.13	54.95	519.73	28,559.10	128.47	5.66
Exxon Mobil	5000	15.90	314.47	82.15	784.06	64,410.80	415.29	11.55
Johnson & Johnson	5000	10.40	480.77	64.25	931.05	59,820.00	378.56	11.00
McDonald's Corp.	5000	13.00	384.62	53.00	809.67	42,912.60	243.30	8.57
PepsiCo, Inc.	5000	19.40	257.73	70.45	576.25	40,596.80	224.77	8.17
Procter & Gamble	5000	12.85	389.11	67.80	789.85	53,551.60	328.41	10.19
Wal-Mart Stores	5000	14.25	350.88	46.75	715.36	33,442.80	167.54	6.78
TOTAL	50,000					553,968.10	343.17	10.43

IIV = Initial investment value
ICS = Initial year's average cost per share ((high price – low price)/2)
INS = Initial number of shares purchased
FCS = Final year's average cost per share ((high price – low price)/2)
FNS = Final number of shares
FIV = Final investment value
% GAIN = Percentage total return (includes both reinvestment of dividends and investment of $125 per quarter per stock + initial $5,000 investment in each stock)
ARR = Annual rate of return in accumulations of stock value (includes both reinvestment of dividends and investment of $125 per quarter per stock + initial $5,000 investment in each stock)

TABLE 3A
DIVIDEND GROWTH WITH DCA-QDRIP PLAN USING AVERAGE PRICES
1993-2007

Stocks Name	INS	IDS	IDI	FNS	FDS	FDI	% GAIN	ARI
Abbott Labs	373.13	0.34	136.87	817.37	1.30	1,062.58	676.34	15.76
Aflac, Inc.	1,075.27	0.06	69.08	1,867.36	0.80	1,493.89	2,062.45	24.55
Becton, D'son	606.06	0.17	110.84	1,089.55	0.98	1,067.76	863.36	17.56
Coca-Cola	242.13	0.34	88.34	519.73	1.36	706.83	700.11	16.01
Exxon Mobil	314.47	0.72	247.21	784.06	1.37	1,074.17	334.52	11.06
Johnson & Johnson	480.77	0.25	129.57	931.05	1.62	1,508.30	1,064.12	19.16
McDonald's Corp.	384.62	0.11	45.18	809.67	1.50	1,214.51	2,588.05	26.50
PepsiCo, Inc.	257.73	0.31	85.71	576.25	1.43	824.04	861.41	17.92
Procter & Gamble	389.11	0.28	117.29	789.85	1.28	1,011.00	761.99	16.63
Wal-Mart Stores	350.88	0.07	26.17	715.36	0.83	593.75	2,168.46	24.98
TOTAL			1,056.26			10,556.83	899.45	17.87

INS = Initial number of shares purchased
IDS = Initial declared dividend per share
IDI = Initial dividend income (beginning with end of first year)
FNS = Final number of shares
FDS = Final declared dividend per share
FDI = Final dividend income (last year)
% GAIN = Percentage return in dividend income growth (includes both reinvestment of dividends and investment of $125 per quarter per stock + initial $5,000 investment in each stock)
ARI = Annual rate of return in dividend income growth (includes both reinvestment of dividends and investment of $125 per quarter per stock + initial $5,000 investment in each stock)

TABLE 2B
STOCK VALUE GROWTH WITH DCA-QDRIP PLAN USING LOW PRICES
1993-2007

Stocks Name	IIV	ICS	INS	FCS	FNS	FIV	% GAIN	ARR
Abbott Labs	5000	11.90	420.17	48.80	1,001.85	48,890.30	291.12	9.52
Aflac, Inc.	5000	4.10	1,219.51	45.20	2,233.99	100,976.00	707.81	14.94
Becton, D'son	5000	7.50	666.67	69.30	1,279.69	88,682.80	609.46	13.95
Coca-Cola	5000	19.00	263.16	45.60	608.52	27,748.60	121.99	5.46
Exxon Mobil	5000	14.50	344.83	69.00	924.05	63,759.40	410.08	11.47
Johnson & Johnson	5000	9.10	549.45	59.70	1,126.84	67,272.20	438.18	11.87
McDonald's Corp.	5000	11.50	434.78	42.30	996.88	42,168.00	237.34	8.44
PepsiCo, Inc.	5000	17.80	280.90	61.90	677.31	41,925.70	235.41	8.40
Procter & Gamble	5000	11.40	438.60	60.4	942.35	56,917.70	355.34	10.63
Wal-Mart Stores	5000	11.90	420.17	42.10	886.04	37,302.30	198.42	7.56
TOTAL	50,000					575,643.00	360.51	10.72

IIV = Initial investment value
ICS = Initial year's low cost per share
INS = Initial number of shares purchased
FCS = Final year's low cost per share
FNS = Final number of shares
FIV = Final investment value
% GAIN = Percentage total return (includes both reinvestment of dividends and investment of $125 per quarter per stock + initial $5,000 investment in each stock)
ARR = Annual rate of return in accumulations of stock value (includes both reinvestment of dividends and investment of $125 per quarter per stock + initial $5,000 investment in each stock)

TABLE 3B
DIVIDEND GROWTH WITH DCA-QDRIP PLAN USING LOW PRICES
1993-2007

Stocks Name	INS	IDS	IDI	FNS	FDS	FDI	% GAIN	ARI
Abbott Labs	420.17	0.34	154.42	1,001.85	1.30	1,302.41	743.42	16.45
Aflac, Inc.	1,219.51	0.06	78.43	2,233.99	0.80	1,787.19	2,178.64	25.02
Becton, D'son	666.67	0.17	122.07	1,279.69	0.98	1,254.10	927.35	18.10
Coca-Cola	263.16	0.34	96.10	608.52	1.36	827.59	761.21	16.63
Exxon Mobil	344.83	0.72	271.79	924.05	1.37	1,265.95	365.79	11.61
Johnson & Johnson	549.45	0.25	148.38	1,126.84	1.62	1,825.48	1,130.26	19.63
McDonald's Corp.	434.78	0.11	51.11	996.88	1.50	1,495.32	2,825.75	27.27
PepsiCo, Inc.	280.90	0.31	93.50	677.31	1.43	968.56	935.93	18.17
Procter & Gamble	438.60	0.28	132.43	942.35	1.28	1,206.20	810.85	17.09
Wal-Mart Stores	420.17	0.07	31.36	886.04	0.83	735.41	2,244.99	25.27
TOTAL			1,179.59			12,668.21	973.95	18.48

INS = Initial number of shares purchased
IDS = Initial declared dividend per share
IDI = Initial dividend income (beginning with end of first year)
FNS = Final number of shares
FDS = Final declared dividend per share
FDI = Final dividend income (last year)
% GAIN = Percentage return in dividend income growth (includes both reinvestment of dividends and investment of $125 per quarter per stock + initial $5,000 investment in each stock)
ARI = Annual rate of return in dividend income growth (includes both reinvestment of dividends and investment of $125 per quarter per stock + initial $5,000 investment in each stock)

CONCLUSION

Whether the investor is the luckiest (always investing and reinvesting at the low points in the marker), unluckiest (always investing and reinvesting at the high points in the market), or average (always investing and reinvesting at the mid-points in the market), the dividend growth rate far exceeds the rate of inflation. Moreover, such a growth in dividend negates the purchasing power risk which must occur if one is to reach financial independence.

A strong growing dividend can supplement a salaried income and even supplant it in the later years of one's career. This dividend growth in the above examples is much greater than most, if not all, growth in professional salaried income. Since the stocks selected by the investors are ranked 1 (highest for relative safety) and A++ (highest for company's financial strength by "Value Line Investment Survey"), they may be thought of virtually as United States Treasury substitutes for safety, but with a much higher dividend and price appreciation rate of growth. In addition, the dividend is tax advantaged in that the maximum federal tax rate is 20% while the maximum federal tax rate on salaried income is almost 40%.

This paper shows that there is no discernible difference in the dividend and capital appreciation growth rate among the lucky, unlucky, and average investors. It proves that, regardless of the type of investor, the key is combining dividend growth and the reinvestment of dividends with that of dollar cost

averaging. The efficacy of this investment strategy results in substantial total return (dividend and capital appreciation) without regard to the points of investments over a long period of time.

There is an old adage about investing that states, "It's time in the market, not the amount of money invested in the market, that matters." This adage may be amended to "It's time in the market, not the timing of the market, that matters."

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