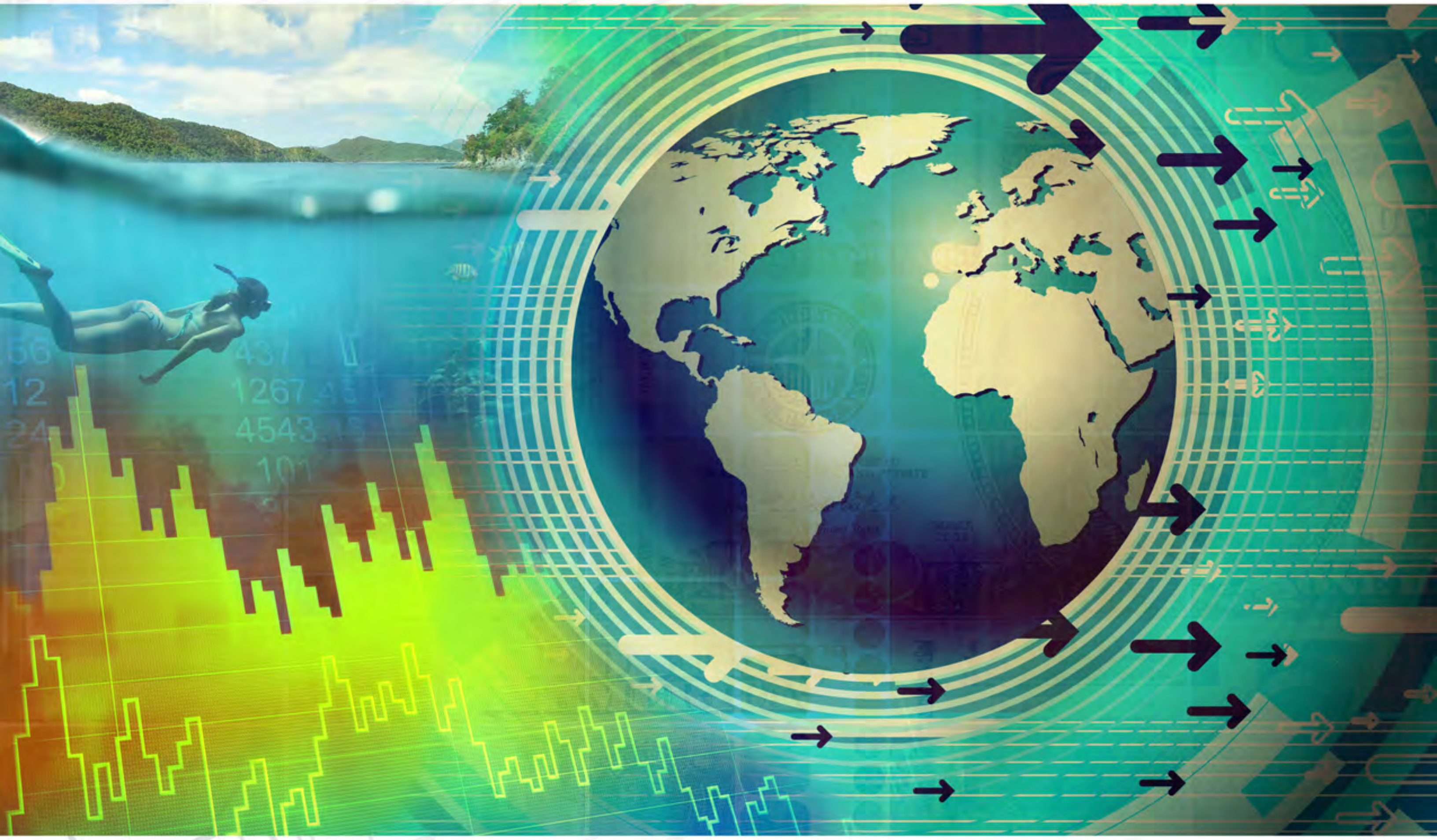
PORTFOLIO WEALTH GLOBAL

Special Report



The Only Six Types of Stocks

Part 1
Slow Growers

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Part 1: Slow Growers

Get it Done, Regardless of Cost

Whenever I take my motorcycle or my wife's car to the mechanic for a treatment, it feels like it would be a valuable investment of time to train in front of the mirror on my "Of course I understand what you just said" face. That's because there is a sensation that comes over me, like a fixed habit I inherited from our ancestors and can't shake off, that if the mechanic realizes that I don't have the slightest idea of what he is talking about, he would pad the bill with all sorts of non-essential items that will serve only his benefit. When he starts talking in a language only he understands, my basic inclination is to say "Just get it done fast – whatever the cost." That is a natural reaction to confusion – outsource the decision making to an "expert." Leonardo Da Vinci said "Simplicity is the ultimate sophistication" almost 500 years ago, and it seems that Wall Street didn't hear old Leo. Judging by one the biggest blockbusters of the past years to come out of Hollywood, they likely follow their other Leonardo's practices: The Wolf of Wall Street, DiCaprio.

Wall Street Projects Complexity

By reading the classic investment books by the legends of the investment industry, one gets a different perspective of the stock market than is depicted in the news. One learns that complexity is what Wall Street must project and "sell" to the general public in order to keep their business machine running and earning the big sums it does. By creating an illusion that stock market wealth requires an I.Q. of 140+, and that a man with 2-3 hours of month to devote to his portfolio can't beat the index, people have been disillusioned via the mainstream media, the brokerage firms, banks, mutual funds and financial planners. It is this marketing plan that helps the financial firms charge high management fees, bonuses, and profit sharing programs that are profitable mostly to them.

Introducing Peter Lynch – a Stock Guru

Peter Lynch knows a thing or two about the stock market. He ran a fund between 1977-1990, which is the best-performing fund in history, with an annual return of 29.3%. It could turn an initial $35,000 to $1,000,000 during that 13-year period. Lynch's philosophy isn't a magical formula that he has kept to himself. In fact, quite the opposite; he published two books (which had several editions and revisions throughout the years) that depict his strategies. Loyal readers of WRG know this strategy already, but today, we will explore just how plain and simple Peter describes the world of stocks. He categorizes them into 6 groups. His simple approach reminds me of Buffett saying "My wealth has come from a combination of living in America, some lucky genes, and compound interest." What could be more straight and to the point?

1. Living in America: being part of a capitalistic society. If you are reading this, then you already have this part covered.
2. Some lucky genes: Warren is simply referring to the fact that he wasn't born into a seriously poor environment, and thus was able to jumpstart his business ventures without first struggling out of poverty. I hope this is of no concern to you. If you are struggling with poverty, know that the way out is possible, and I am living proof. My parents went bankrupt twice during my childhood. If I was able to climb out, you can, too!

3. Compound interest: my favorite two words in the English language. If you want to learn more about it, please use our search tab and find our in-depth coverage of the most important principle of wealth accumulation, or click here to receive our special report on this subject, including our top 3 compounding machines.

Six Groups of Dividend Stocks

Peter Lynch, as I said, divided stock into 6 groups. By learning them and then identifying which appeal to you the most, and finally by adopting the group outlook to your portfolio, your returns would be greatly enhanced. Peter is all about simplicity, so much so that in his books he describes the story of a group of middle-school boys and girls who were able to beat the market year after year, and he loves to ask children about which companies they believe will prosper. It's that simple.

The first category is:

Slow Growers – these are the safest companies on the planet. Most are utility businesses, and their dividend yield is higher than most dividend-paying S&P 500 companies – and also much safer. The way you can measure safety is by historical standard deviation. In other words, from top to bottom, how much can the stock price swing? The less it swings, the more stable it is.

An example of such a stock would be NYSE: AWR. This company (American States Water Company) is a holding company from a number of water companies. The dividend has been increasing for over 25 years now, and it has tripled in price since 2008. Check out the price performance during the 2008 crisis to get a perspective of how safe it is. The company is overpriced, at a P/E ratio of 24, so we are not recommending it. Instead, we are illustrating a point that these are a group of unique and select stocks that you can count on for steady income and firm pricing for decades and throughout your retirement. If the market liquidates like it did in 2008 and you need cash, this group of companies will not drop in price like the broad market. They even rise as investors seek safety, and that will be in your advantage.