

Rodger on Retirement

Uncommon characteristics of successful long term investors

Successful, long-term investing requires a set of characteristics that is uncommon among many of today's investors. Without these, many are relegated to sub-par long-term investment performance. The first of these is a conviction in the future. It is extraordinarily difficult to be a successful investor if one is timid and apprehensive of the future. The media is now a 24-hour, nonstop newsreel of everything that is wrong with the world. Every country, every economy, every government – none are immune. We are bombarded daily with the worst that humanity has to offer: fear, scandal, and strife. The media tells us that the problems our economy faces are insurmountable and will cause markets to tumble. Large numbers of investors watch and listen to these reports with one finger on their investment portfolios' sell button.

How will these individuals build a retirement portfolio that will sustain them once their paychecks stop?

A large number of Americans retire generally in their early 60s. The single biggest issue that few understand is preparing for a retirement that may potentially span three decades or more. With trend line inflation at about 3.5%, the cost of goods and services will approximately double in 20 years. In other words, \$5,000 of monthly income today will purchase approximately \$2,513 worth of goods 20 years from now. Most individuals cannot articulate or explain their strategy to handle this.

We must focus on investments with a long-term time horizon to support a potential 30-plus year retirement. For this reason, the values of our portfolios next week, next month, or next year are not as important as they might appear. Think long-term. Personally, I am much more interested in the value of my portfolio 7, 12, 15, or 20 years from now. The security you will require if you expect to enjoy a lifestyle-sustaining income, over a potential multi-decade period of time, will, by necessity, involve a growing stream of income.

Because my retirement is hopefully a long-term proposition, I gravitate to long-term investments. I am a great believer in owning the common stock of the global giants that make up the largest and best capitalized corporations. I will not name these companies here. It is enough to simply say that you buy their toothpaste, shaving cream, food, tires, and gasoline; fly planes with engines they manufacture; run programs using the software and computers they create; communicate using their devices; safeguard your money in their banks; and use their checking account services as well as their debit and credit cards. These same companies provide loans so you can purchase a home for your family and manufacture products for our armed forces defend our country as well as for many of our allies. Many of these companies provide their owners (shareholders) with periodic cash dividends.

When I reflect on the level of dividend income that has been generated by these companies for their shareholders over long periods of time, I see an unmistakable trend. I see income rising over long periods, often times in excess of the rate of inflation. In planning for a long-term retirement, I want my investment income to keep up with the increases in my cost of living. Ideally, I would want my income to greatly exceed the increase in my day-to-day costs. Perhaps this has given you food for thought during these volatile times in our economy.

*Any information is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation. Past performance may not be indicative of future results. Dividends are subject to change and are not guaranteed, dividends must be authorized by a company's board of directors.