DIVIDEND INCOME FOR LIFE

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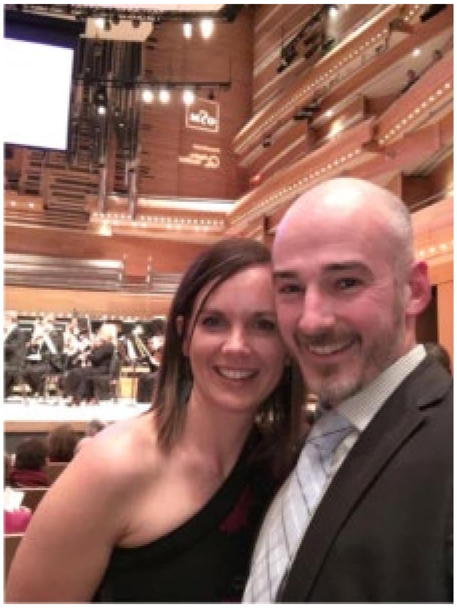
A LITTLE ABOUT ME



First, congratulations on acting and taking care of your investment portfolio! I'm a passionate investor looking forward to connecting with other passionate investors.

My name is Mike Heroux and I'm the author of The Dividend Guy Blog, The Dividend Monk, and Moose Markets (yes, I thrive on staying busy!) along with being the co-owner and portfolio manager at Dividend Stocks Rock (DSR). I have an unusual sense of humor for a "nerdy finance guy". Before you decide if you trust me or not, let's get to the "boring & serious" stuff first.

I earned my bachelor's degree with a double major in finance and marketing, I completed a CFP (Certified Financial Planner) certification along with an MBA in financial services. I worked in the financial industry for over a decade including 5 years as a financial planner and another 5 as a private banker managing accounts for high net worth (read $1M+) clients.

Besides being a passionate investor, I'm also happily married with three amazing children, and I live in the beautiful province of Quebec, Canada. Since I'm French Canadian, and French is my native language, I have most of my writings in English edited to minimize any grammar or spelling errors. I started my online venture to capitalize on my education and professional background by educating people about investing. A most fortunate by product of this professional endeavor is that I can work from home which allows me to be able to spend more time with my family.

In 2016, I decided to leave everything behind and go for a 1-year RV trip across North America and Central America (we made it all the way down to Costa Rica). Upon my return in 2017, I quit my job as a private banker and invested all my energy in my online business. I would rather pursue my dream of helping people invest through my sites. Since then, I have been a full-time online entrepreneur.

You can read more about my investing journey here.

WHAT IF YOUR DIVIDEND INCOME WAS MORE THAN JUST A YIELD?

Warning: this is not a guide to high-yielding stocks (quite the opposite). ***This is a guide to creating a lifetime dividend income.***

For those who have been Dividend Stocks Rock members for a long time, you will recognize a compilation of some of my best work in this guide. For those new to DSR or who have never been a member, **the Dividend Income for Life Guide** will introduce you to my investing methodology, which I have applied at DSR since 2013, with great results.

This guide is for any investor who wants to create a sustainable income from his/her portfolio.

It will be useful during your accumulation phase as you will avoid major mistakes and build a solid portfolio for your retirement. It will be even more useful if you are retired and count on your portfolio to pay the bills.

As opposed to the high-yielding solution, I offer you a way to keep control of your portfolio AND your income. Don't let financial firms decide how much you should receive. Treat your portfolio as your personal holding company, spitting out distributions when you see fit.

We all invest with the same goal in mind: having our money working for us.

How to generate income? Yield or Growth? Why Not Both?

When it comes to generating income from a portfolio, some may encourage you to utilize high-yielding stocks, ETFs or split corps. The financial industry is filled with products targeting retail investors with the promise of a juicy yield (who cares if it's sustainable or not, right?).

Imagine this: you have a million dollars which you invest in 7% dividend payers, and BOOM, you earn $70K per year. That's what I call "napkin calculations". It's easy to understand, it's straightforward and quite appealing.

You could even earn a 6-figure retirement salary with some income-focused products… until you don't.

While it's simple and appealing, it's also incredibly misleading. Dividend and distribution cuts happen constantly, and then you lose both your income and capital. You want to avoid that as a retiree.

Some others may tell you how they invested most of their money in Tesla and became rich. That's also easy to understand, straightforward, and quite appealing.

But it's also incredibly hard to repeat. It's fun to play Monday morning quarterback, but when it's time to pick the next stock that will generate 10X growth, many crystal balls get broken, and investors are disappointed.

Dividends and capital gains are NOT guaranteed. One is not better than the other.

The solution is to find a combination of dividend-paying companies and high-growth companies? This is what I call **dividend growth investing**.

This guide will show you an alternative way to invest in dividend stocks that will avoid most dividend cuts and make sure you have enough money accumulated to retire stress-free.

A dividend income for life starts by creating your own dividends from your portfolio.

I have impressed upon you the concept of you controlling your own retirement income.

LOW YIELD, HIGH DIVIDEND GROWTH AT RETIREMENT

I've discussed the importance of having low yield, high growth stocks in one's portfolio many times. Many DSR members have accepted that this type of stock usually generates the strongest returns.

However, many of you may think this strategy is better for younger investors in their accumulation phase.

I respectfully think you are wrong.

At 60, I'll generate a 5% yield from my portfolio. It is a common belief that a 5% yield portfolio is a safe way to retire. I'm sorry, but I beg to differ.

I want to thank Greg, a DSR PRO member since 2020, who asked me for more details on the comparison between low-yield, high-dividend growth, and high-yield stocks at retirement. We had an interesting email discussion, and I want to expand on that topic here.

Warning: you may not like what you will read today. But I'm not here to be your friend. I'm here to be your hiking buddy and tell you there might be a bear on your investment path.

But instead of saying "Believe me, I've seen the bear", I invite you to follow me on the trail to see it with your own eyes. But first, let's go back to explaining why a company pays a low or a high yield.

WHAT MAKES A COMPANY PAY A LOW YIELD OR A HIGH YIELD?

As of September 2025, it takes 4.5 years for Alimentation Couche-Tard (1.07%) to pay 1 year of a Canadian Utilities' Dividends (4.82%).

It also takes over 33 years of Canadian Utilities' dividends to equate to 10 years of ATD's total returns.

(that's including the 2024-2025 ATD's stock price drop)

I could have used a stronger example such as Dollarama (578.7% returns or 120 years of CU's dividend), but I started this comparison ATD vs. CU 3 years ago and I'll keep with it as it's still true even after a challenging period for one of my favorite holdings.

You probably have heard me say that in a podcast or a recent webinar. That's my favorite line to illustrate that once an investor focuses on one metric or factor, he/she may become blind.

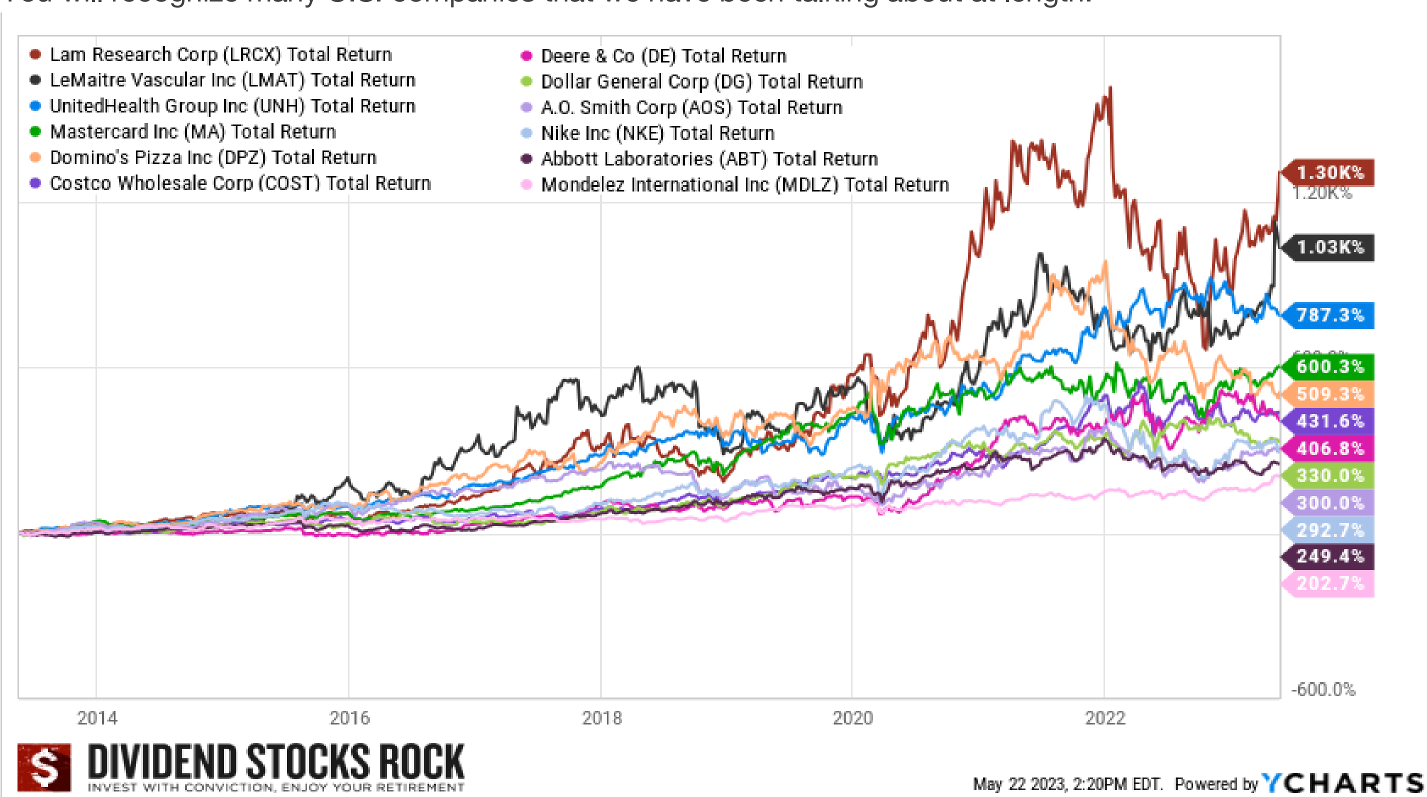
Again, one may argue that Alimentation Couche-Tard's total return is not guaranteed for the next 10 years. I would argue that Canadian Utilities' dividends are not guaranteed either.

Just imagine if I had picked Visa (V) vs. AT&T (T). AT&T has not performed well and additionally has cut its dividend!

DSR was created in 2013, and both were valid option at that time.

Back then, our focus was already on thriving companies offering robust and sustainable dividend increases. To celebrate our 10-year anniversary in 2023, I ran the DSR stock screener searching for a list of stocks paying a yield under 2% but showing a 10%+ dividend growth rate between 2018 and 2023. Then, I looked at their total return (stock appreciation + dividend) graph since the creation of DSR in 2013. I did that for 12 US stocks and 12 Canadian stocks. The results show a range of growth from 203% to 1,300% for US stocks and from 210% to 782% on the Canadian market.

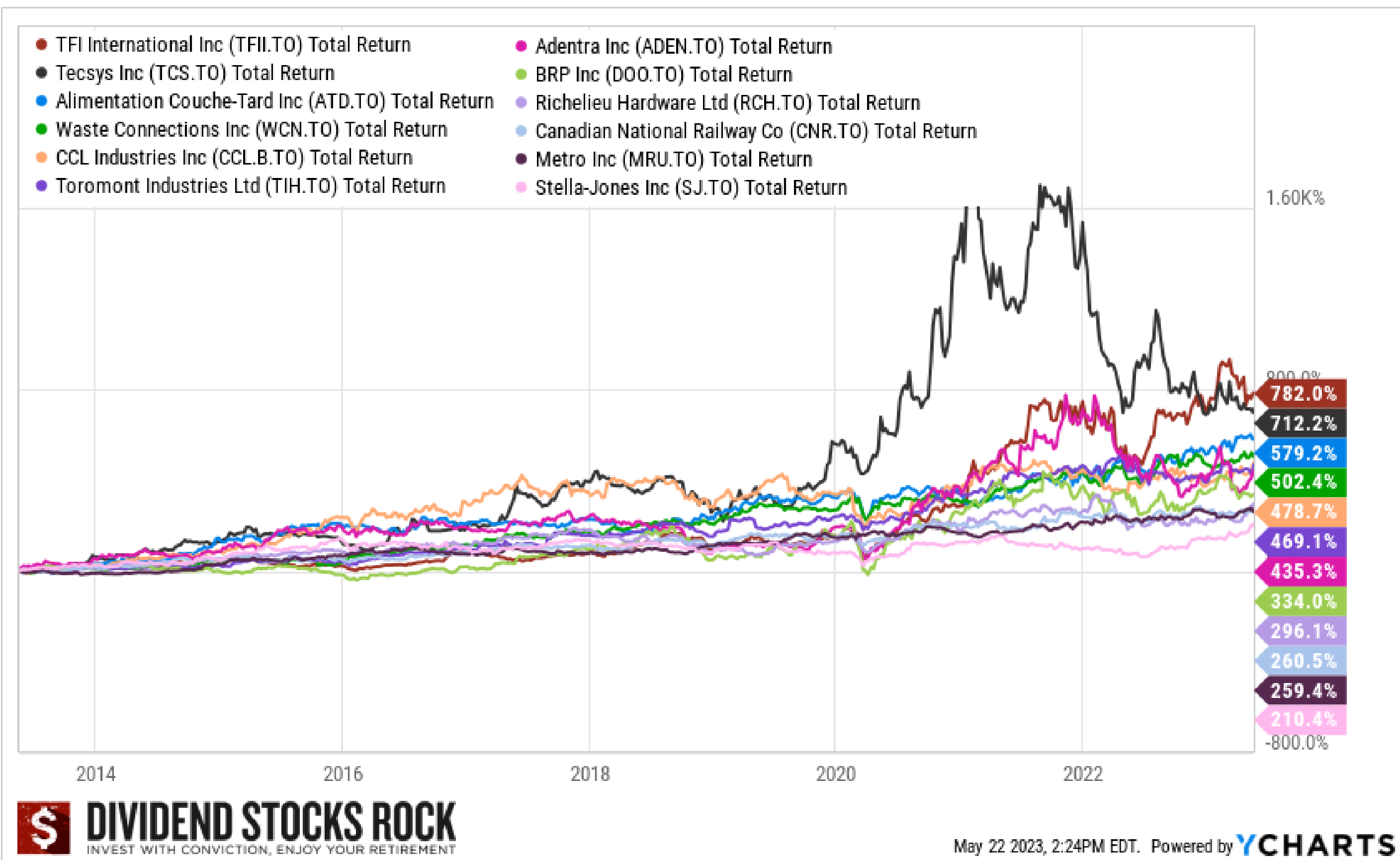
You will recognize many U.S. companies that we have been talking about at length.



The goal of this exercise was to establish a comparison between low yield, high dividend growth stocks and high yielders. Later in this guide, I'll offer an updated version of this stock selection process.

Right now, you read the conclusion of my strategy by looking at the past. You may think I'm cherry-picking and that's fine. That's why I include an updated version of the low yield vs. high yield at the end of the guide. I started this exercise at the beginning of 2024, and I update this section yearly.

Now, let's look at the Canadian selections to see if they are any different:



Long story short: those 24 low yields, high growth stocks killed it. For the record, an ETF tracking the S&P 500 (SPY) reported 201.6% in total return while the iShares TSX 60 (XIU.TO) was up 125.4%.

As I mentioned at the beginning of this guide, most DSR members would agree with me at this point. Many low-yielding stocks come with a robust dividend growth policy (read high-single-digit and often double-digit dividend growth rate).

Therefore, if you focus on total return, you want low-yield, high-dividend-growth stocks.

But the argument about building a high-yield portfolio is still valid at this point. I get it as at one point in your life you may be more interested in getting paid in predictable increments than trying to figure out when is the right time to sell shares at their peak value.

You are likely concerned about selling shares as you may be thinking it may damage your portfolio. I'll address both concerns later in this newsletter. But I wanted to see how high-yield stocks (over 4-5%) did during the past 10 years. Remember, between 2013 and 2023, we had low interest rates, strong consumer confidence and a growing economy for the most part. In other words, it was the perfect time to run a business.

I did the same type of research, but I made sure those companies were paying a high yield 10 years ago. Therefore, a company like Enbridge couldn't qualify as the yield in 2013 was around 3% (see how things change quickly in this world?). I've picked 12 US and 12 Canadian stocks. It was easy to find those since DSR was around 10 years ago and many members inquired about high yielders at that time.

First conclusion: high-yield stocks' performance is terrible compared to low-yield, high-growth companies.

Only two out of 12 US stocks could have made the first graph for performance (e.g., 200% total return) and none of the Canadian securities reached 200% total return. Even worse, 6 out of 24 (25%) reported a negative total return. In other words, you had a 25% chance of losing money (even after receiving the dividends) and only 16% (4 on 24) chances to match / beat the market.

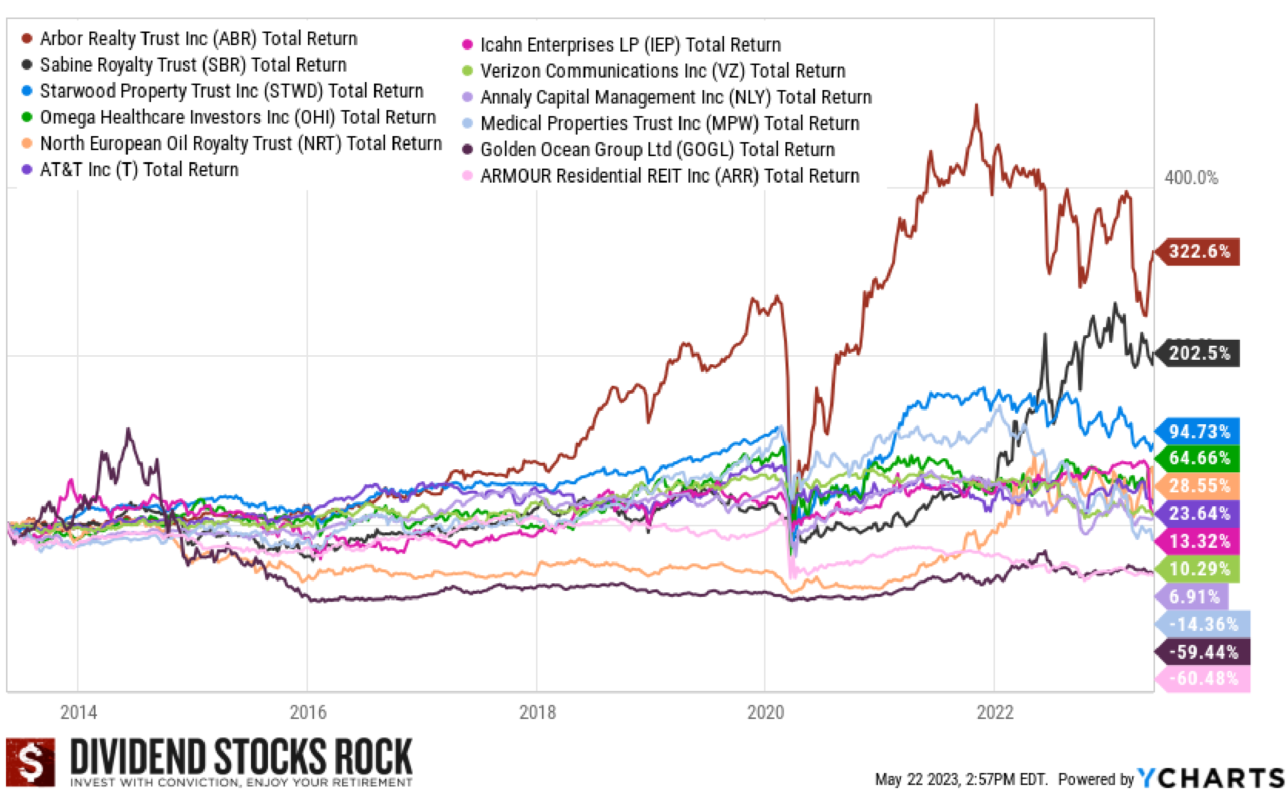
Second conclusion: retiring on those dividends would have been deadly for your portfolio.

From that list, we find 8 dividend cutters (33%!) and 8 more that didn't increase their dividend enough to match inflation (dividend increase under 30% over 10 years). In other words, that's a 66.66% chance of investing in a company that doesn't protect your buying power at retirement.

That's also 66.66% of stocks that would greatly hurt your retirement plan.

Picking 48 stocks and pulling out a few graphs won't allow me to enter Harvard for my thesis. This is not an academic study, but it's enough to have a strong feeling that something is off when a company pays a yield above 5%.

There are also expectations both ways (bad low-yield stocks and great high-yield stocks). I'll let you digest the two pages of graphs, and I'll get to the explanation behind the reasons why a company pays a low yield and grows its dividend generously.


Arbor Realty Trust Inc (ABR) Total Return
Sabine Royalty Trust (SBR) Total Return
Starwood Property Trust Inc (STWD) Total Return
Omega Healthcare Investors Inc (OHI) Total Return
North European Oil Royalty Trust (NRT) Total Return
AT&T Inc (T) Total Return
Icahn Enterprises LP (IEP) Total Return
Verizon Communications Inc (VZ) Total Return
Annaly Capital Management Inc (NLY) Total Return
Medical Properties Trust Inc (MPW) Total Return
Golden Ocean Group Ltd (GOGL) Total Return
ARMOUR Residential REIT Inc (ARR) Total Return
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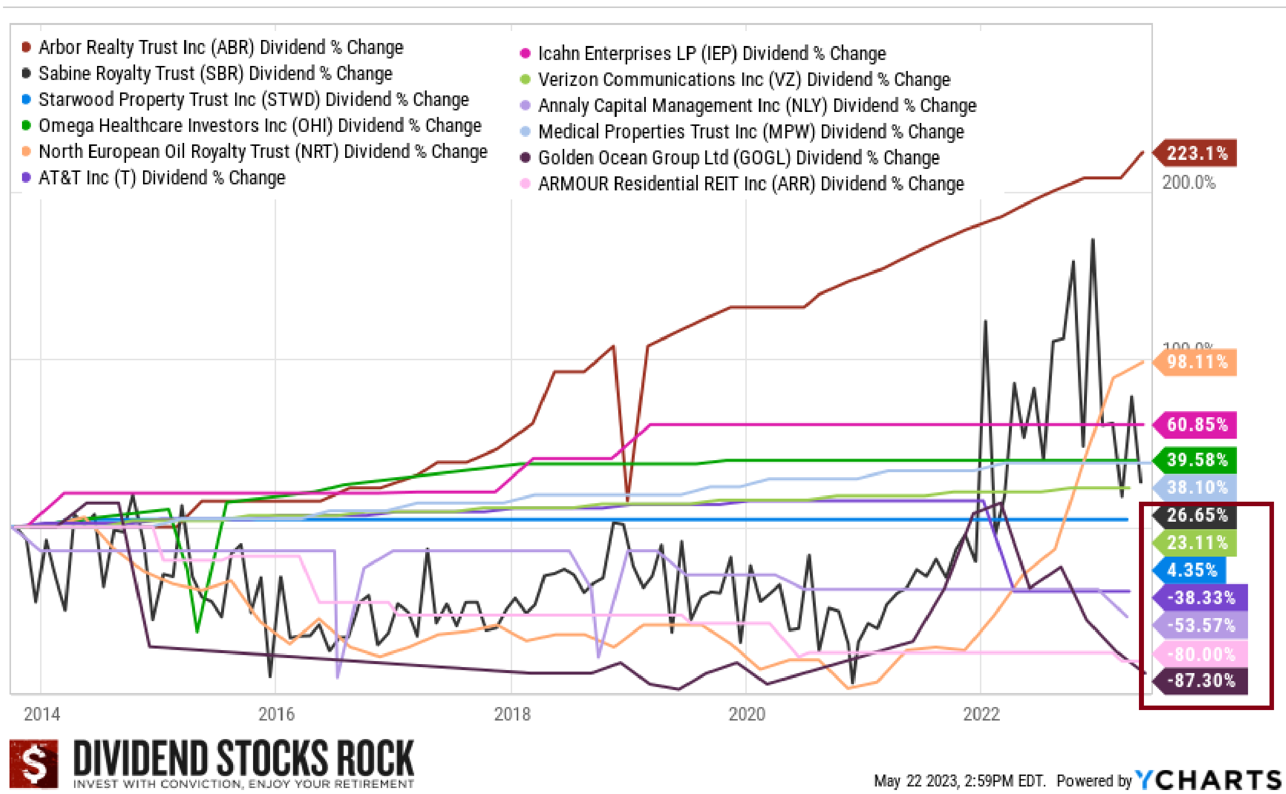
Arbor Realty Trust Inc (ABR) Dividend % Change
Sabine Royalty Trust (SBR) Dividend % Change
Starwood Property Trust Inc (STWD) Dividend % Change
Omega Healthcare Investors Inc (OHI) Dividend % Change
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Golden Ocean Group Ltd (GOGL) Dividend % Change
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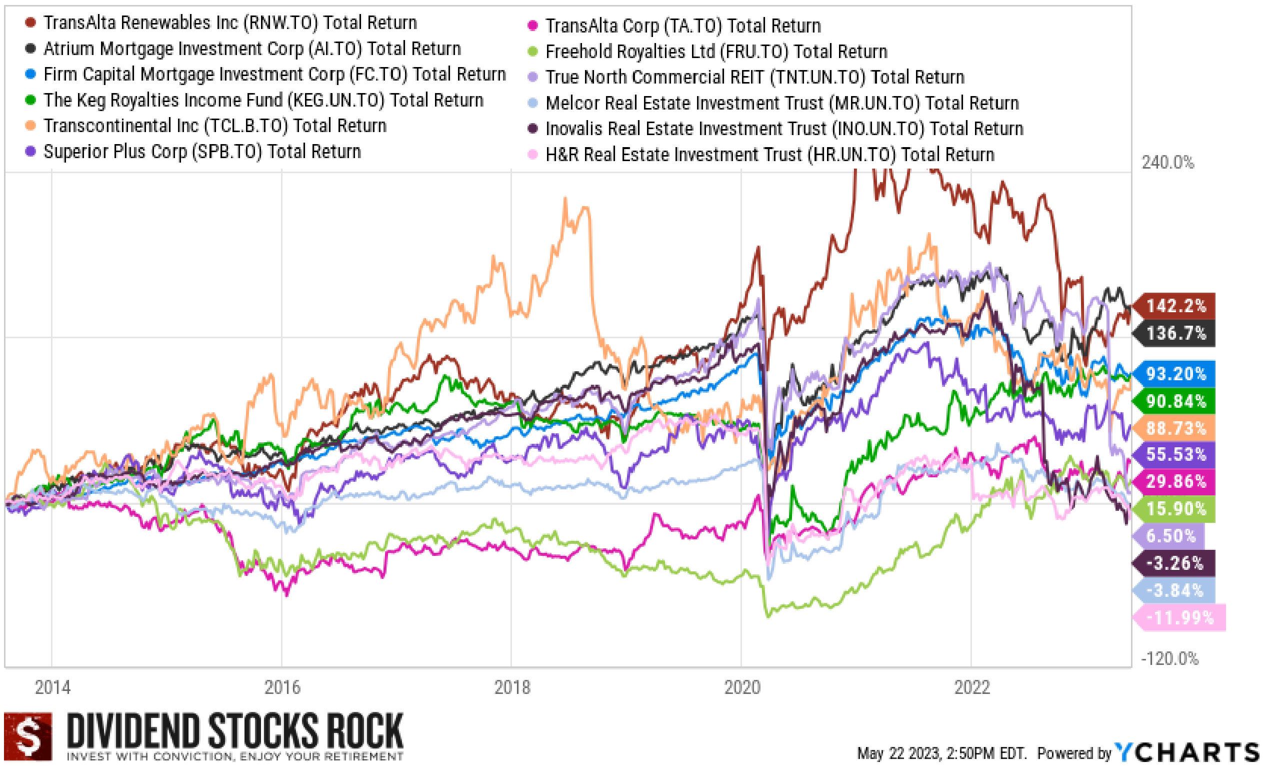
TransAlta Renewables Inc (RNW.TO) Total Return
Atrium Mortgage Investment Corp (AI.TO) Total Return
Firm Capital Mortgage Investment Corp (FC.TO) Total Return
The Keg Royalties Income Fund (KEG.UN.TO) Total Return
Transcontinental Inc (TCL.B.TO) Total Return
Superior Plus Corp (SPB.TO) Total Return
TransAlta Corp (TA.TO) Total Return
Freehold Royalties Ltd (FRU.TO) Total Return
True North Commercial REIT (TNT.UN.TO) Total Return
Melcor Real Estate Investment Trust (MR.UN.TO) Total Return
Inovalis Real Estate Investment Trust (INO.UN.TO) Total Return
H&R Real Estate Investment Trust (HR.UN.TO) Total Return
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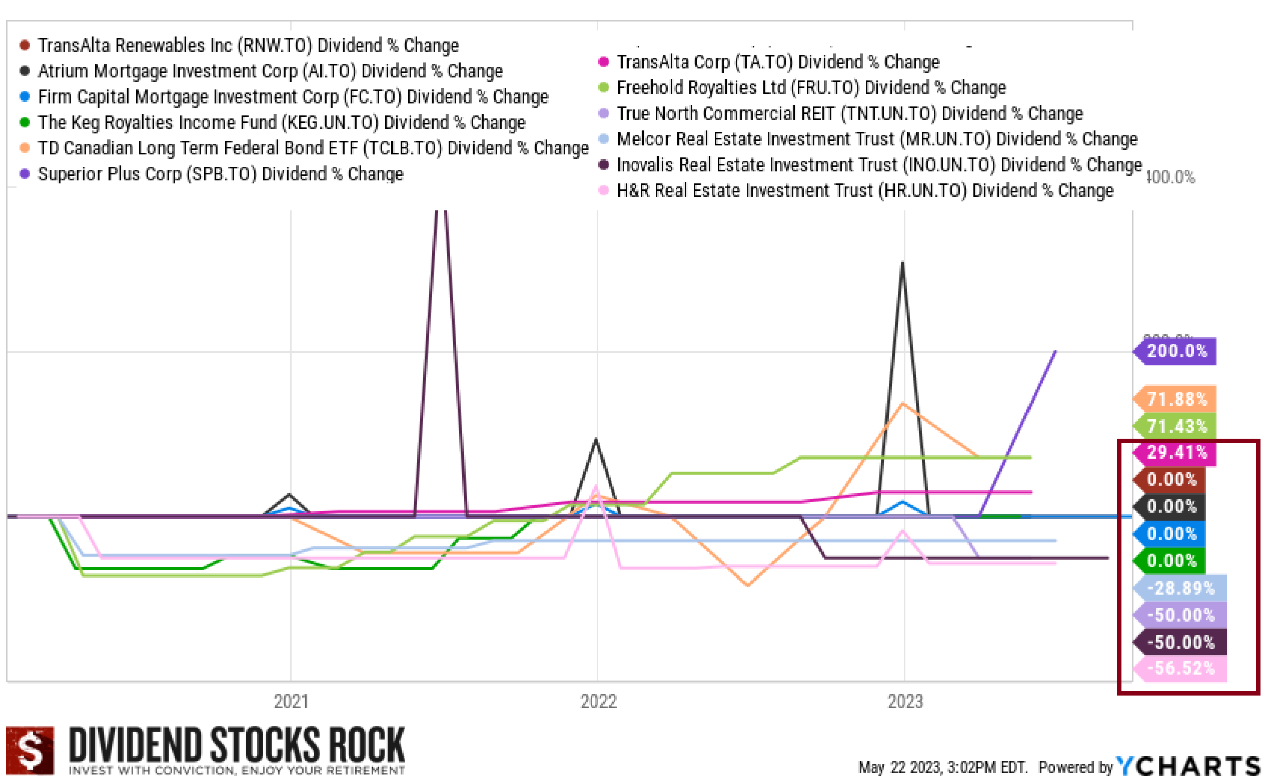
TransAlta Renewables Inc (RNW.TO) Dividend % Change
Atrium Mortgage Investment Corp (AI.TO) Dividend % Change
Firm Capital Mortgage Investment Corp (FC.TO) Dividend % Change
The Keg Royalties Income Fund (KEG.UN.TO) Dividend % Change
TD Canadian Long Term Federal Bond ETF (TCLB.TO) Dividend % Change
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H&R Real Estate Investment Trust (HR.UN.TO) Dividend % Change
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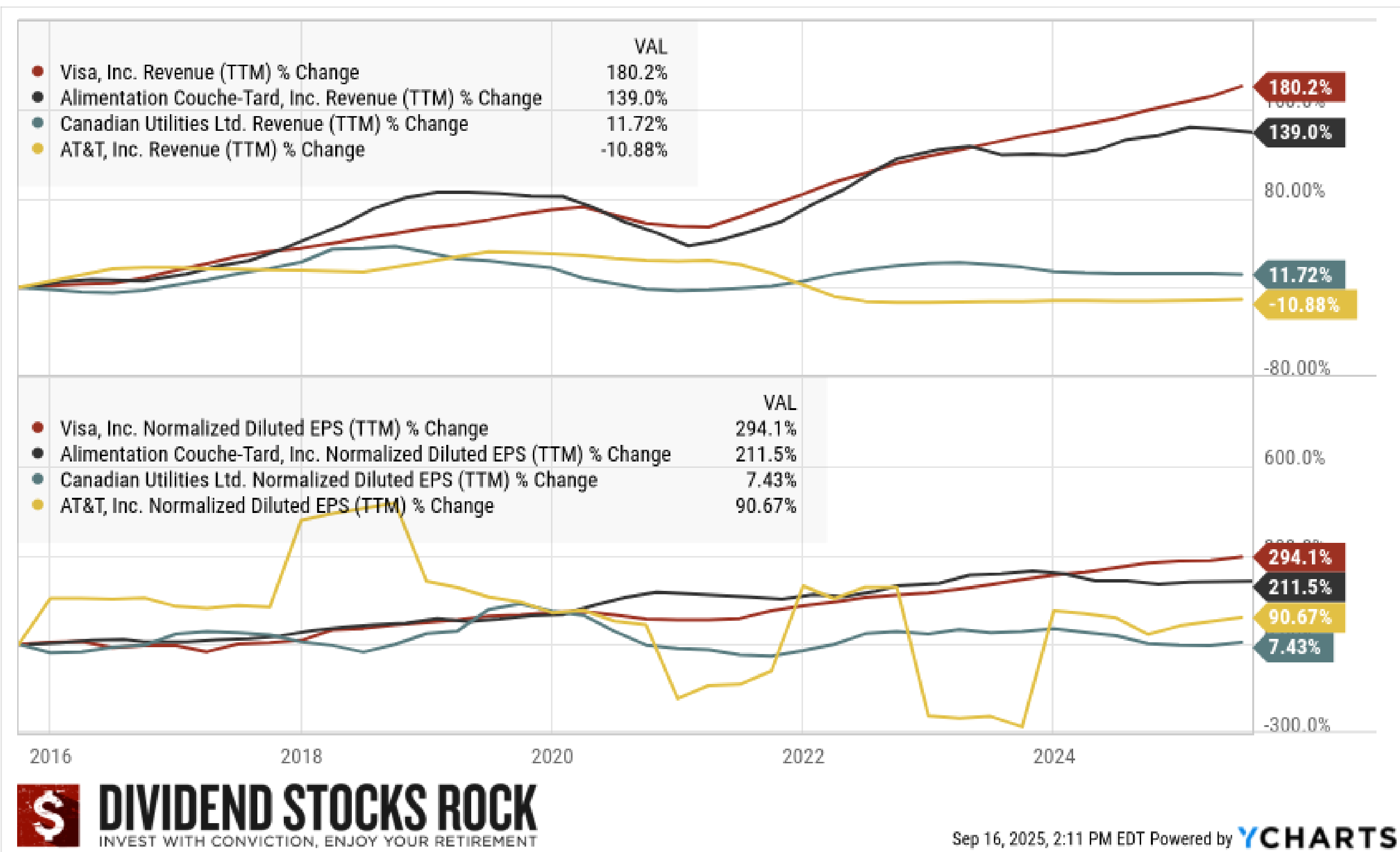
There is a rational explanation

What is the difference between Visa and AT&T? Why Visa pays a yield under 1% while AT&T offers a 5%+ yield? The explanation is found within the dividend triangle. Ignore the dividend payment for a second and concentrate on the business' health.

What makes businesses great? Growth.

At DSR, I like to look at revenue growth (ability to generate more sales) and EPS growth (ability to generate more profit). It's a bit simplistic, but businesses growing their sales and profits consistently tend to be good investments.



What you see on this graph is two low-yield, high growth stocks (Visa & Alimentation Couche-Tard) vs. two high yield, low growth stocks (AT&T and Canadian Utilities). We can draw two conclusions from this graph:

Conclusion #1 low-yield, high-growth stocks show a strong ability to grow their sales.

Conclusion #2 low-yield, high-growth stocks are even better at growing their profits.

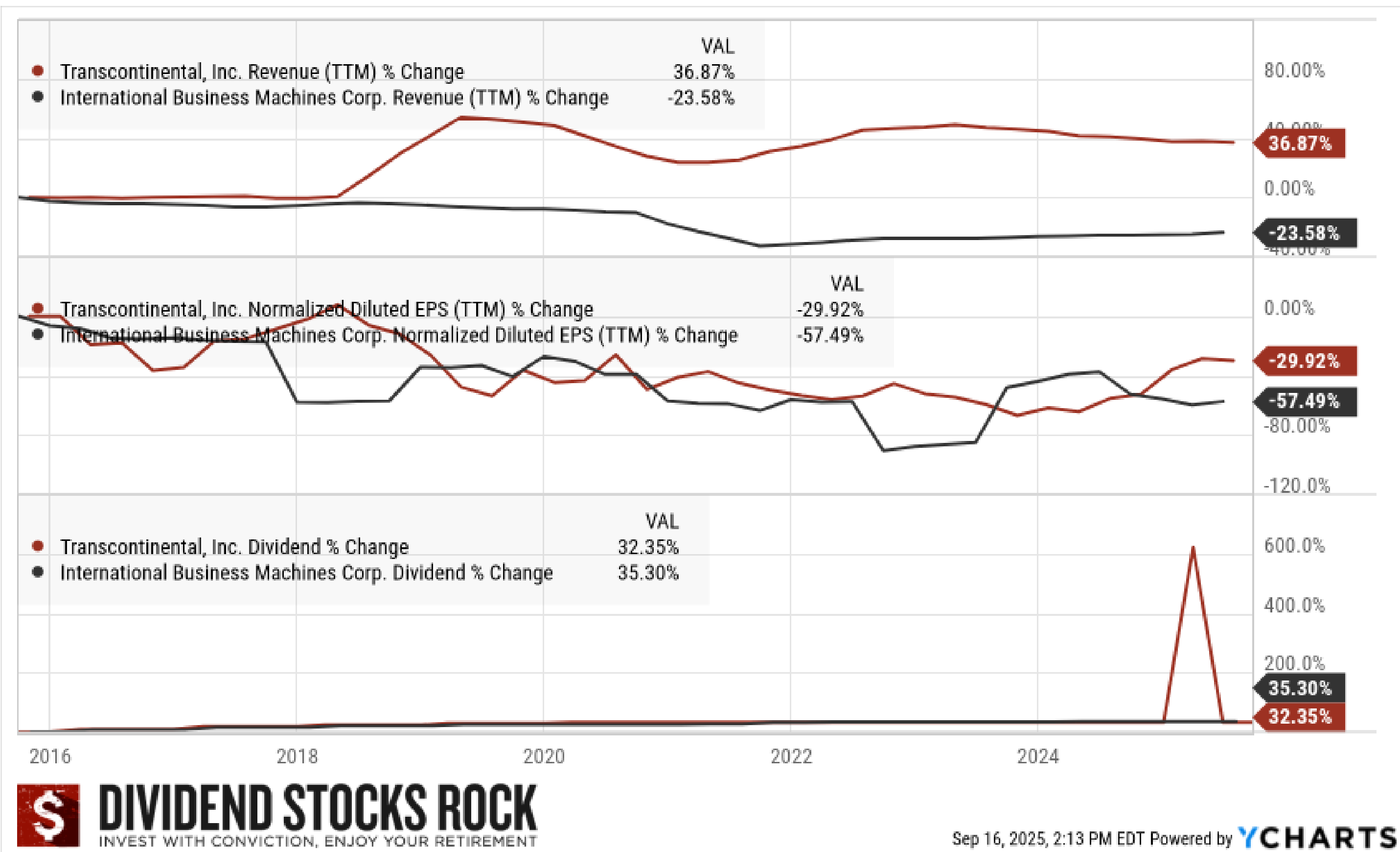
You could bring 30 more companies and likely have a similar conclusion.

We can conclude that both companies benefit from strong growth vectors and are also able to expand their margins along the way. In other words, they are growth stocks that happen to pay a dividend. The dividend is small because the companies are growing very fast, and often at double-digit growth rates.

On the other hand, **high-yield, low-growth stocks are mature businesses with limited growth potential.** They are trying to make moves to generate growth, but it doesn't always work. AT&T completely failed in its attempt to participate in the media & entertainment industry and ended up cutting its dividend and spinning off its media segment.

Conclusion #3: Higher-yielding stocks are often mature businesses with less growth potential.

Unfortunately, the line is often thin between being mature and generating growing cash flow (enabling a minimum of dividend increases) and struggling slowly, but surely (and eventually cutting its dividend). Here are two examples of high yielders that are coming to that crossroad (IBM and Transcontinental TCL.B.TO).



In both cases, the inability to find growth has already weighed in on their ability to generate more profit and has started to weigh on their ability to grow their dividend.

We can see how the dividend graph isn't the same before and after 2020.

Because numbers are nothing without context, Transcontinental is a giant printing media company (a dying business) that was purchased as a packaging company to transition back to growth. This has not worked well so far. There is a glimpse of hope as of late, but TCL's success is still not clear.

There is more hope than there is growth.

On the other hand, we see IBM's resurrection supported by the rise of artificial intelligence. Will it be enough to complete the shift toward being a growth company again? It's not impossible and that is what makes investing so exciting! At least, it is taking IBM out of the "high-yielding stocks" for now.

In general, the problem with higher-yielding stocks is that we will often end up with this conclusion: they once were great companies, but now they may be marginal companies.

They offer a high yield for a simple reason: the lack of a growth perspective no longer attracts investors.

Less people attracted to invest = lower demand for the stock = no stock price momentum = higher yield.

Simply put: **Their weak fundamentals may put your retirement at risk.**

The dividend mechanic vs. the dividend magic

Dividends aren't magic money deposited into your account.

The other aspect to consider is **why a company pays you a dividend in the first place?**

When we receive money, we don't always want to know where it's coming from, and we would rather focus on what we will do with it. But we should dig further.

By definition, a company pays a dividend when it cannot create value for shareholders. In other words, a company would rather pay you $1 in dividends if it cannot find a good project to invest in with that same dollar.

Management has investigated marketing spending, research & development, acquisitions, hiring talent and more. They couldn't find anything that was worth the investment. Therefore, they transfer that responsibility into your hands and call that a "dividend". You, as a shareholder, now have the responsibility to allocate that dollar and find a better investment.

Therefore, a company paying a lower yield will likely show a lower payout ratio since the business is growing so quickly. This also means that management can find plenty of projects to generate value (e.g., stock price increase) for shareholders. The dividend mechanic is a simple money transfer from one bank account to another.

It doesn't mean there is no magic.

The magic happens when you find DIVIDEND GROWERS. Dividend growers are companies that can increase their dividend every year. This means they must be able to grow their sales and profit accordingly to maintain their dividend growth policy.

Again, who doesn't want to invest in a company growing their sales and profit? Dividend growth is the result of a great company with a great business model and a robust balance sheet.

Unfortunately, we find fewer of those amazing companies amongst high yielders. Low-yield, high-growth stocks don't have the monopoly on being great companies, but there are many more great companies amongst the low yield, high growth stocks.

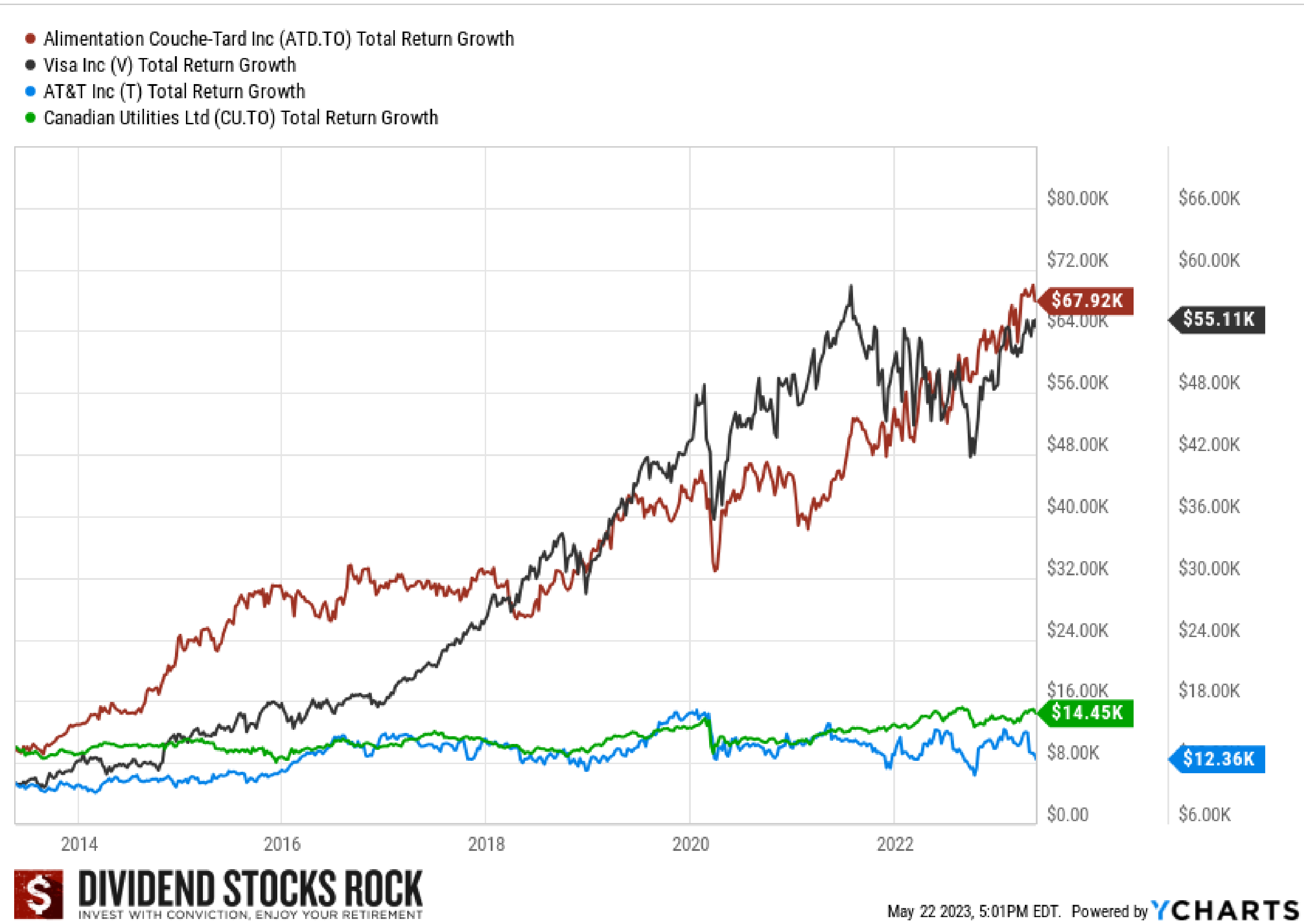
So why in the world would retirees tend to ignore them? Because they don't pay the bills and are seen as potentially risky.

WHY LOW YIELD STOCKS ARE IGNORED?

If I had to answer this question in one sentence, I'd say it is because they make retirement planning more complicated. Nobody wants to figure out how many shares they must sell each year on top of getting their dividends, their pension income and more. In other words, "low yield stocks don't pay the bills", or do they?

They don't pay the bills

Let's take the example of ATD.TO and V between May of 2013 and 2023 and imagine you invested $10,000 in each of them. In late May of 2013, you could buy 1,031 shares of ATD.TO at ~9.70/share and 222 shares of V at ~$45.05. 10 years later, those shares are trading at $66.01 and 231.30, respectively. Imagine you did the same with T and CU.TO and you reinvested those dividends and bought more shares. After 10 years, you have a portfolio worth almost $150K… with 123K invested in the low-yield stocks!



I don't want to sell my shares to generate income.

The more you sell shares, the less you must generate income.

Let's look at this example at retirement and imagine that you retire today with no more dividend reinvestment, and you just want to live off your dividends. Let's look at what the dividend brings:

ATD.TO: 0.85% * $67,920 = $577.32

V: 0.77% * $55,110 = $424.35

CU.TO: 4.72% * $14,450 = $682.04

T: 6.81% * $12,360 = $841.72

Interestingly, your low-yielding stocks generate $1001.67, and your high-yielding stocks generate $1,523.76.

You see, Mike, high yield generates more income!

I agree—in fact, it's a little more than 50% more! However, I have $123K invested in the first two stocks and $27K in the high yielders.

If I sell $523 of ATD.TO to compensate, the following year, my shares will generate 0.85% * 67,397 = $572.87 or ~$5 less than last year. That is, without considering any capital gain or dividend increases.

I could probably do this operation for another 100 years and still have money invested in ATD and V.

Now, you are going to tell me that I cherry-picked my date from 2013 and 2023 and that I ignored ATD's drop in 2024-2025.

Fair point.

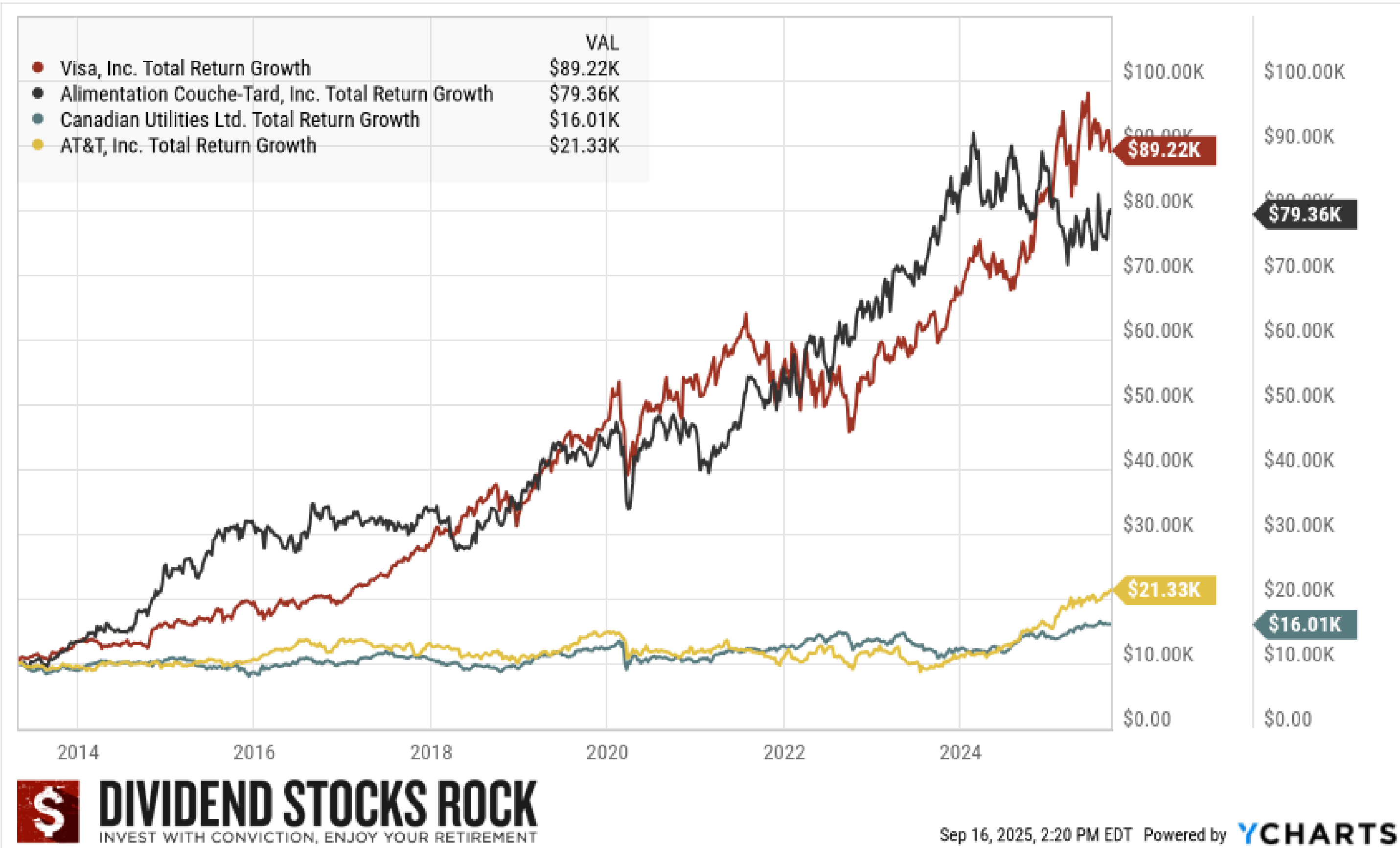
From now on, I'll update the 10 years timeframe and see how many years going forward this example will be valid.

As of September of 2025, the results are:

ATD at $79.36K CAD, and V at $89.22K USD.

CU is now at $16.01K CAD and T at $21.33K USD.

The low-yield, high-dividend growth stocks are still worth 4+ times the high-yield stocks.



Conclusion: You can retire on low-yield, high-growth stocks and create your own dividend by selling shares + dividends.

One could argue that I could sell my ATD.TO and V shares and buy more of CU.TO and T to generate a higher income. From the high-yield chart I displayed at the beginning of this newsletter, I wouldn't feel confident with 66% of chances to see my retirement income depleted once we factor in inflation. This seems like the perfect path to eat a lot of peanut butter and jelly toast and Kraft Dinners.

Retiring on low yielders is dangerous

I need to address this point loud and clear, as some investors think low-yielders are dangerous, as their performance is solely coming from stock price appreciation. I think I made it clear over the past 10 pages of this newsletter how **low-yield; high-growth stocks offer protection rather than risk**. Companies that are growing their revenue and earnings by high single to double-digit percentages will attract investors. If they attract investors, the stock price trends will remain solid.

The 24 low-yield stocks I've picked at the beginning of this newsletter show you convincing results. But on top of strong performance, there are more advantages to investing in them.

MAIN ADVANTAGES

I'm a big believer in understanding why you hold shares of specific companies and understanding how these companies will contribute to your retirement plan. Now that we have discussed the outperformance of low-yield, high-growth stocks, let's see why they perform that well.

Exposure to the 5 factors

If you have done any research on stock market performance, you rapidly fell on academic papers discussing the 5 factors explaining most of the stock market return. Interestingly, many financial advisors or dividend adverse investors will pull out those studies to tell you dividends are relevant. According to them, dividend growth is a symptom of a strong exposure to the 5 factors:

1. **Market beta** (Invest in stocks that collectively have lower volatility than the broad market)
2. **Size** (Invest in smaller, and more nimble companies)
3. **Value** (Invests in stocks that are lower cost relative to their peers)
4. **Momentum** (Invests in stocks that are outperforming and reduce exposure to stocks that are underperforming)
5. **Quality** (Invests in companies with strong financials relative to similar cost peers)

Source: BlackRock

I would rather say that dividend growth is a result of thriving companies that are exposed to those factors. We have determined that the chances of picking a high yielder that is also a thriving company are slim. However, if you look at low-yield, high-growth companies, they are usually checking many of those boxes.

Long-term wealth preservation

Based on the graph provided in this newsletter, I'd say it's safe to conclude that thriving companies offer great protection for your portfolio. As those companies grow, their share prices increase. That's just pure logic. Therefore, selecting high-quality companies with a generous dividend growth policy is a better strategy than selecting companies based purely on yield.

Sustainable income growth

I'm not going to tell you that you should aim to build a portfolio with a yield under 2% after reading this newsletter. However, by adding a few of those low-yield stocks, you increase your chances that your portfolio income grows and beats inflation. If you retire at 60 and need $50K income from your portfolio, this means you will need $68K from the same portfolio at 75 and $84K at 85 (assuming inflation at 2.10%). Now, imagine that your portfolio's dividends aren't growing at this pace. Even a 2% inflation rate could derail your retirement plan.

HOW TO IDENTIFY LOW-YIELD, HIGH-GROWTH STOCKS

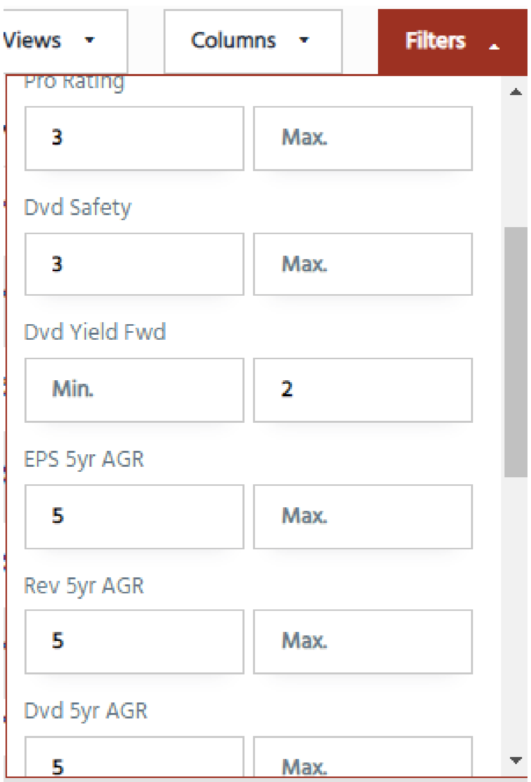
I want to thank Barry for his email referring to a recent newsletter I wrote about adding low-yield, high-growth stocks to your portfolio even at retirement. I find it likely that you will share his point of view:

It's easy to identify low-yielding stocks, but how do we identify low-yield, high-growth stocks for the future?

Here's a short version of the DSR buy roadmap I wrote for the DSR fundamental newsletter.

The first step to start your research would be to use the DSR stock screener with the following metrics.

Use the DSR stock screener



With a **minimum PRO rating and Dividend Safety Score of 3**, you ensure you are looking at quality stocks. I always add the 3s as it's possible our team may have missed a few great stocks (remember, ratings are useful, but they are never 100% accurate).

To select low-yield, high-growth stocks, you must **cap the yield to 2%.** This will insure you only look at stocks from which the market expects strong growth. If they weren't priced to offer a low yield, then you have a signal that, in general, the market doesn't expect much growth from them.

Narrow your research with a strong dividend triangle with a **minimum of 5% for a 5-year growth rate for revenue, EPS, and dividends.** This filter will put the emphasis on thriving businesses over the past 5 years.

This research will bring you to roughly 9% of all stocks we follow at DSR (in Sept 2025, it brought up 115 stocks out of 1,234 in our database). It's still a lot of companies to look at, but it's a good start.

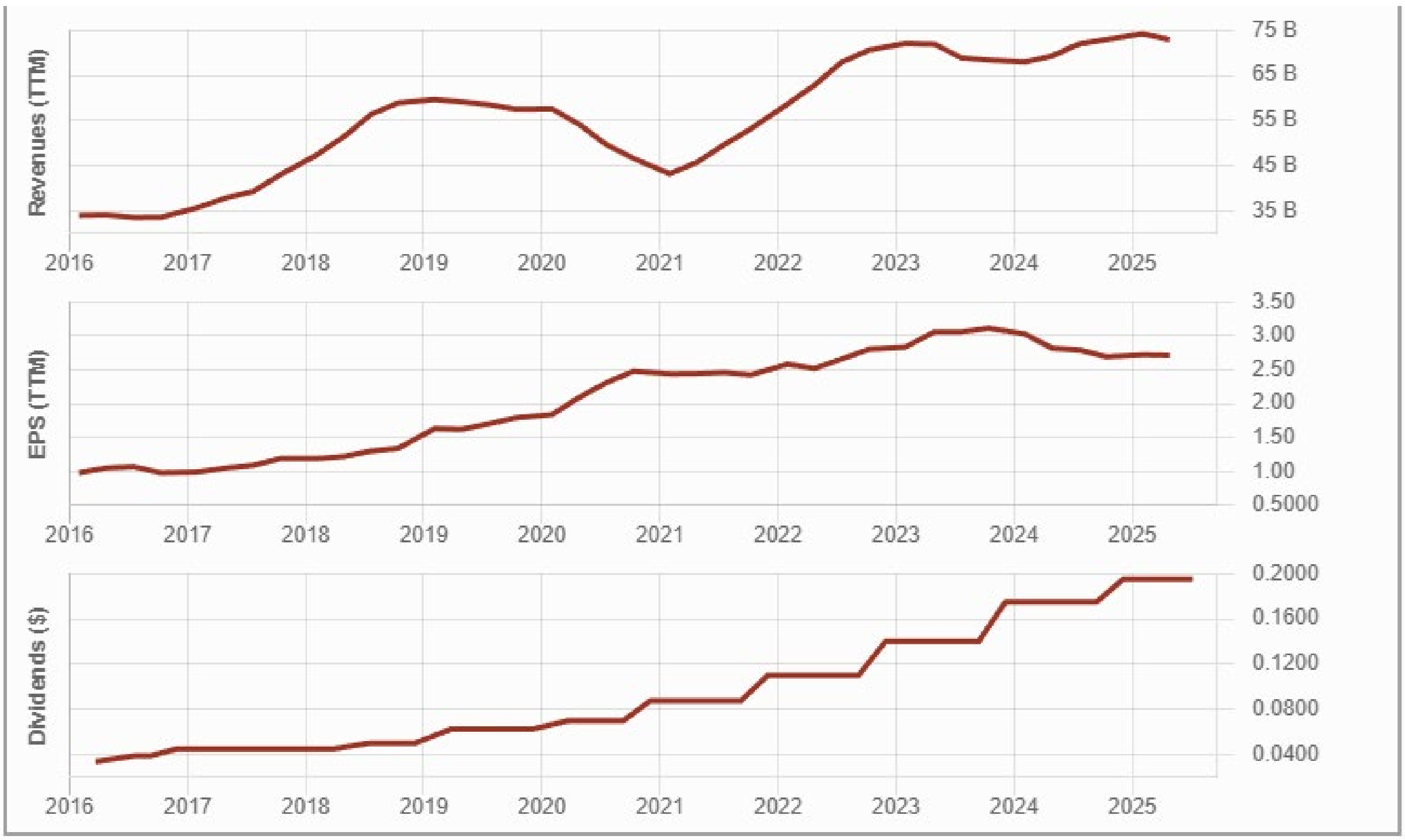
Narrow down by sector

Chances are you are not looking to add stocks coming from all sectors in your portfolio. By selecting a sector, you will likely reduce your research to around 10 stocks. From the results I got, all sectors had 15 or less candidates and the industrial sector was the champion with 39 opportunities.

Review each business model

Once you have selected the sector you want to work with, a deep dive is necessary in each stock. You want to make sure you can identify what has made each of those companies thrive over the past 5 years. Then, you must review the business model and the economic environment to determine the likelihood of their repeating those performance levels over the next 5+ years.

For example, Alimentation Couche-Tard (ATD.TO) has been showing a robust dividend triangle for the past 5 years. If you look at the stock card, you'll notice the dividend triangle has been strong for a good part of the past 10 years.



The stats are on our side and then you can look at ATD's key elements explaining its success: a strong combination of growth by acquisition and organic growth by improving the convenience store experience for customers.

In the meantime, we see how revenue and EPS are slowing down since 2023. Once again, you have the proof you can't ignore companies' results for a long time. I'm not currently worried about a short-term slowdown, but it doesn't mean I won't monitor it closely. After all, many high yielding stocks were once great companies that eventually struggled. There is no guarantee ATD will always thrive over the next 50 years.

Past performance is never a guarantee for the future. At one point, low-yield, high-growth stocks will either become mature businesses, or they will find other growth vectors that will bring them right back to the fast track.

With the acquisition of Total Energies gas stations in Europe in 2023, ATD seems to have been able to pursue its growth model for a while longer. However, the current challenging economic environment is weighing on its growth. It's now up to ATD's management to execute their plan and get investors' favor going forward.

I kept ATD's example in this guide to show how stock analysis is complex, as anything could change from one year to another.

It's also a good lesson to be patient and not require high returns yearly.

Conclusion

Identifying low-yield, high-growth stocks or high-yield, low-growth stocks is relatively easy when you look at the past. A simple search in the stock screener will provide you with a list of what happened over the past 5 years. It's a good starting point for research (or to identify red flags in your portfolio), but the deep dive into a company's business model is crucial in both cases.

You want to understand what made those low-yield high-growth companies successful. Once you identify the key elements that made that business thrive, you will be in a better position to determine if the story will continue.

You also want to make sure that the high-yield, low-growth companies will continue to be safe investments. The analysis of the dividend triangle and the understanding of the business model is as crucial for your high yielders. You want to ensure the dividend is safe and will at least grow by 2-3% per year to show a minimum level of growth. Central banks like to see modest inflation (2-3%) because it tells them the economy is healthy and growing. You should be happy to see modest growth from your high yielders as well. In the opposite case, however, chances are you may be getting closer to a dividend cut.

Now that I've demonstrated that a combination of low-yield, high-growth stocks with some solid yielders is likely the best way to build your portfolio, we are going to see how we can do that together using DSR PRO tools.

LOW-YIELD VS. HIGH-YIELD LIVE CASE STUDY

At the beginning of 2024, I wrote a newsletter entitled "Low Yield—High Growth Selection." This was meant to conclude the newsletter you are currently reading, The Dividend Income for Life Guide.

I now update this newsletter as part of our DSR fundamentals and add a follow-up to the low-yield and high-yield selections I made in January 2024. If the sample from 2013 to 2023 is not enough to convince you, I hope this live experiment moving forward will show that history doesn't repeat itself, but it often rhymes.

So here are the results from those selections between January 26th, 2024, and September 16th, 2025 (total return includes dividends).

Company name	Ticker	Total return	Company name	Ticker	Total return
Alimentation Couche-Tard	ATD.TO	-6.47%	BCE	BCE.TO	-30.76%
Brookfield Corp	BN.TO	77.06%	Brookfield Renewable	BEP.UN.TO	12.74%
CCL Industries	CCL.B.TO	39.62%	ScotiaBank	BNS.TO	54.83%
Canadian National Railway	CNR.TO	-18.02%	Choice Properties	CHP.UN.TO	16.42%
Constellation Software	CSU.TO	16.65%	CIBC	CM.TO	91.20%
Dollarama	DOL.TO	92.30%	Capital Power	CPX.TO	77.34%
EQ Bank	EQB.TO	1.47%	CT REIT	CRT.UN.TO	23.44%
Metro	MRU.TO	36.69%	Exchange Income	EIF.TO	61.12%
Stella-Jones	SJ.TO	2.27%	Enbridge	ENB.TO	57.11%
TFI International	TFII.TO	-26.16%	Labrador Iron Ore	LIF.TO	-3.03%
Toromont Industries	TIH.TO	30.17%	Suncor	SU.TO	42.39%
Waste Connections	WCN.TO	18.02%	Telus	T.TO	2.42%
Total		21.97%	Total		33.77%

Wow! I didn't see this one coming! The high-yielding stocks are outperforming the low-yielding high-growth ones. Banks made a major comeback so much that CIBC no longer qualifies as a high yielder (the same goes for Exchange Income and Suncor). It also shows how fast a company can recover from a bad performance. We'll see if they can keep up the pace going forward. It will make this comparison even more interesting to see if the high yield companies can keep up!

Still, none of these results matter.

Short-term results are entirely useless. However, I can't show you 5 and 10-year results without starting on year 1. I made the case between 2013 and 2023 by looking back. This section will, therefore, be updated yearly to show the progression.

At this point, we can only say that both portfolios do well during a bull market, which is not surprising!

Company name	Ticker	Total return	Company name	Ticker	Total return
Apple	AAPL	24.04%	AllianceBernstein	AB	31.27%
Abbott Laboratories	ABT	20.76%	Altria	MO	84.64%
A.O. Smith	AOS	-6.64%	Arbor Realty	ABR	4.79%
Broadcom	AVGO	207.80%	Ares Capital	ARCC	21.45%
Costco	COST	41.12%	Crown Castle	CCI	-5.12%
LeMaitre Vascular	LMAT	65.58%	Enterprise Products	EPD	31.17%
Mastercard	MA	34.07%	Ford	F	16.36%
Visa	V	28.16%	Hannon Armstrong	HASI	31.41%
Microsoft	MSFT	29.24%	3M	MMM	104.90%
Nike	NKE	-26.46%	Realty Income	O	20.31%
Northrop Grumman	NOC	35.13%	Pfizer	PFE	-3.89%
Tractor Supply	TSCO	34.77%	Verizon	VZ	14.04%
UnitedHealth	UNH	-28.52%	Total		29.28%
Total		35.31%			

The low-yield portfolio is building a slight advantage, but again, it doesn't mean anything. After an impressive performance, MMM is not even a high-yielding stock anymore! But to be fair, I'll keep the selection intact on both sides.

It will be interesting to see how this comparison develops over time.

Now that we have established that a good mix of dividend growers is the best way to create a dividend income for life, let's see how you can create your own dividend from your portfolio.

WITHDRAWAL MECHANICS AT RETIREMENT

The biggest argument I encounter when I talk about low-yield, high-growth stock portfolio at retirement is:

"Selling shares to fund your retirement during a down market will kill your plan and destroy your portfolio".

In this final section, we'll elaborate on a simple but effective plan to ensure you always have enough money to enjoy your retirement. I will tell you what I intend to do once I retire. It may or may not fit your situation, but this will give you a good starting point.

As you can probably guess, my portfolio is geared toward low-yield, high-dividend growth stocks. Therefore, my average yield is around 2%. If I was to retire today, I would not change my portfolio composition. As explained earlier in this guide, I believe those companies are safer and constitute a more reliable source of income for my retirement.

This also implies that I will have to sell shares to bridge the gap between what my portfolio generates in dividends and my retirement budget needs. When the market is up, I won't mind trimming my holdings and cashing a hefty profit to retire stress-free. But we all know there are bad years too.

What do you sell when your portfolio is down 15%?

If there is something that could cripple your retirement plan, it's selling shares when prices are down. The sequence of withdrawal at retirement could completely change your plan.

The timing of your retirement within the market cycle could dictate how many trips you can afford per year or how many times you can buy a new car. Here are three scenarios from an interesting article from QTrade:

	Scenario A	Scenario B	Scenario C
Starting balance	$500,000	$500,000	$500,000
Annual withdrawal amount (indexed at 2%)	$21,000	$21,000	$21,000
Return year 1	-15.00 %	5.40 %	27.00 %
Return year 2 to 29	5.40 %	5.40 %	5.40 %
Return year 30	27.00 %	5.40 %	-15.00 %
Value at year 30	$104,148	$548,881	$835,723
Average return for 30 years	5.40 %	5.40 %	5.40 %

As you can see, selling shares when your portfolio is down in the first year of retirement creates a big hole in your budget.

This is what most retirees fear when they think about low-yielding stocks.

They know they must sell shares, and it will have a terrible impact if they do that during a bear market. Therefore, they prefer taking a chance with higher-yielding stocks. However, we saw that this solution is even riskier.

The solution to this problem is to have a cash reserve.

THE CASH RESERVE CONCEPT

The cash reserve can be used to facilitate the transition from the accumulation phase to the decumulation phase. It is a strategy to protect your portfolio during times of volatility.

Throughout your retirement years, you will go through bull and bear markets. Selling shares to generate your homemade dividend during a bear market could hurt your retirement plan.

Here comes the concept of having a cash reserve. The cash reserve is money that is not invested in the stock market anymore. It should be liquid and secure.

How to use the cash reserve

The cash reserve will bridge the gap between what your portfolio generates in dividends and your retirement budget. For example, if you need $50,000 per year and your portfolio generates $20,000, there is a gap of $30,000 per year.

The $30,000 gap must come from selling shares. If you sell shares at a depreciated value, this could hurt your retirement plan. Alternatively, you can dig into your cash reserve and keep your portfolio intact until the market recovers. After that recovery, you can sell shares and refill your cash reserve.

How much is enough?

There is no clear answer to this question. On one side, you want to mitigate the impact of market volatility on your withdrawal sequence. On the other hand, you want to maximize your portfolio returns.

A large cash reserve will increase the short-term protection of your withdrawals but will negate your portfolio's ability to generate higher returns in the stock market over the long haul.

Therefore, the amount of your cash reserve depends on the gap you must fill and your volatility tolerance. Some investors will be comfortable with no cash reserve and simply accept they will sell shares yearly to complete their retirement budget regardless of where the market is.

Some others will prefer a large cash reserve to cover all potential catastrophes. While most bear markets take around 24 months to recover, some have or could take more than four years to fully recover.

Cash reserve example

This is where my portfolio model from earlier comes in handy. Let's imagine you need $50,000 per year (5%) on a $1M portfolio. Instead of focusing on the yield paid by your investment, you can focus on the quality of each company you add.

In my example, the $1M is split between ~900K in stock and ~100K in a 3-year GIC ladder. The portfolio generates $20,839 per year. The gap to reach $50,000 is $29,191.

To make sure you don't have to sell during a bad year, you can create a cash reserve through a three years GIC/bond ladder that would look something like this:

- $33,000 for 1 year
- $33,000 for 2 years
- $33,000 for 3 years

For the sake of this example, I've used a 3% average for the GIC rate. The GIC income is included in the $20,839 portfolio income.

At the end of each year, you have $33,000 in available liquidity from your GIC.

Your $900,000 invested in stock must generate a capital gain of $29,191 (or 3.24%) for you to be able to sell enough shares to make $50,000 of income.

Therefore, **on a good year (when you generate more than 3.24% in capital gain)**, you can sell shares, and you reinvest in the GIC for another 3 years to complete the ladder.

On a bad year (when you generate less than 3.24% in capital gain), you can use your GIC to complete your retirement income.

In general, most bear markets take between 18 months and 24 months to fully recover. Therefore, the cash reserve will be good enough to cover for most bear markets and minimize the impact of the timing of your withdrawals.

If you have used a part of your cash reserve, you must sell more than 3.24% of your portfolio on a good year to make your retirement income + replenish your GIC ladder.

Now you may ask which stocks you should sell during good years. I have the answer to this question in this guide too.

Which stocks to sell?

I've established a clear order to sell shares:

#1 Any stocks that don't fit in my portfolio.

During my yearly review, I could simply sell a company with a weak dividend triangle or one that doesn't meet my investment thesis anymore.

#2 Overweight stocks

There is nothing like trimming your winners to ensure you are not too exposed to one stock. I set a limit of 10% of my portfolio for a single position. If one of my stocks goes above 10%, I'll trim a few percentage points to avoid putting my retirement at risk.

#3 Sector balance

Once I've cleaned my portfolio of bad stocks and trimmed my winners, it's time to look at my sector allocation. Like my stock allocation, if I'm overweight in a specific sector, I'll sell a few percentage points to rebalance my portfolio.

FINAL THOUGHT

It's important to note that a 5% withdrawal rate (generated by dividends or by a mix of capital gains + dividends) is aggressive. There is a high chance you will deplete a part of your portfolio throughout your retirement. But that's the goal, right?

I hope I have shed some light in this guide on the rationale of adding some low-yield, high-dividend-growth stocks to your portfolio. The point is not to transform your entire portfolio and sell everything that is over a 5% yield. In fact, you can find quality companies offering high yields as well.

The point is to ensure that all companies in your portfolio show strong fundamentals so they can continue to pay their distributions and increase that payout to at least beat inflation.

Start seeing your portfolio as your "big" holding corporation like Warren Buffet. Create your own dividend and keep a cash reserve for the bad days. This is how you create a dividend income for life.

Cheers,

Mike.

Invest with More Confidence and Less Stress

If you are like most investors, you constantly struggle with the right time to buy or sell. When you have losing investments, you get stuck by paralysis by analysis. This confusion hurt your portfolio and prevent you from enjoying your retirement.

Just look at how Rick solved his investing struggles and reached investing peace:

> *"One thing that I, struggle with is knowing when to let go of a losing investment when it makes sense to do so. DSR provides quarterly updates of each subscriber's portfolio (PRO feature) that provide value and dividend safety ratings for each individual holding. This is a really helpful guide as to whether it is time to consider selling a loser. Another very useful feature is that his report also provides potential replacements with better ratings. This gives me an independent viewpoint of whether my holdings are the best ones to keep going forward.*
>
> *One great part of the DSR service is Mike's inter-activeness with his subscribers. He does this regularly through both newsletters and webinars. His webinars are highly interactive, with subscribers able to make comments and input questions as it goes. Each and every time I have sent a separate email to Mike's service he has personally responded with helpful input. I recommend this service to anyone who is focused on dividend stocks and values a separate analysis of their holdings to help verify their portfolio's value and safety."*

Rick Urquhart, DSR PRO members since September 25th, 2017.

If you hesitate to subscribe, let me offer you a 60-day refund period – no questions asked. If this membership doesn't help you grow confidence and take actions with your portfolio, reply to any of DSR emails within the first 60 days of your subscription and we will send you back the money in full.

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You can forward this book to any of your friends who like dividend investing…

Cheers,

Mike, Passionate Investor
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