

# DIVIDEND STARTER KIT



# Your First Steps to Income Freedom

## Welcome & Why Dividends Work

Let's be honest: Wall Street has made investing way more complicated than it needs to be. They want you glued to CNBC, sweating every red tick, and believing you need a PhD in quantum finance just to buy a stock.

Spoiler alert: you don't.

Dividend investing is simple, beautiful, and just a little boring — and boring is exactly what you want when it comes to building real wealth. Here's the magic trick: instead of hoping your stocks go up so you can sell them to some other poor soul, you own businesses that *pay you to own them*. That's right — actual cash, hitting your account, without selling a thing.

Think of dividends like rent checks from the world's greatest companies. You don't have to mow the lawn, fix the pipes, or chase tenants for rent. You just sit back while companies like Coca-Cola, Procter & Gamble, or Johnson & Johnson send you a thank-you note in the form of cold, hard cash.

And here's the kicker: the best dividend-paying companies don't just pay you — they give you a raise every year. Compare that to your old boss who gave you a 2% raise and a lukewarm "Atta boy." Dividend growth stocks are like that boss you actually respect, the one who says, "Here's 7% more this year, keep up the good work."

In short:

- You don't need to sell shares to get paid.
- You don't need to be a market-timing ninja.
- You just need to own the right businesses, let time do its thing, and enjoy the steady paychecks.

That's why dividends work. They turn your portfolio into an income machine — one that pays you whether the market's up, down, or sideways.

# The Core Principles of Dividend Investing

Dividend investing isn't rocket science. It's more like gardening. Plant the right seeds, water them occasionally, and resist the urge to dig them up every week to "check progress." Do it right, and before you know it, you've got an orchard of money trees sending you fresh fruit every season.

Here are the four core principles that keep your dividend garden alive (and keep you from accidentally planting poison ivy):

## 1. Quality First

Not all dividend stocks are created equal. Some are rock-solid oaks that will outlive us all (looking at you, Procter & Gamble), while others are wobbly saplings ready to snap at the first storm. The trick? Own companies with *real businesses*. Think toothpaste, soda, insurance, electricity — boring stuff people buy whether the market is up, down, or upside down.

Because here's the truth: people will skip a new iPhone upgrade in a recession, but they won't stop brushing their teeth. (At least, we hope not.)

## 2. Sustainable Payouts

Imagine a buddy who promises to pay for dinner every Friday but has no job and lives in his mom's basement. Do you trust that promise? Nope. Same with dividends. If a company is paying out more money than it actually earns (high payout ratio), your "Friday dinner" is about to get canceled.

A good rule of thumb: payout ratios under 60% usually mean the dividend is safe. Above that? Start asking questions, because no company can survive long by giving away more than it makes. (Unless it's the government, but that's another story.)

## 3. Growth Matters

It's not just about the paycheck today — it's about the raises tomorrow. A stock paying you 4% that grows its dividend every year is like a job that *actually keeps up with inflation*. Contrast that with a fat 8% yield that never grows — you'll be stuck eating ramen while the cost of steak keeps going up.

Bottom line: you want both yield *and* growth, but if you have to choose, pick the raise. Over time, growth wins.

## 4. Long-Term Horizon

This is the hardest part for most investors: patience. We live in a “DoorDash in 12 minutes” world, but compounding doesn’t work on your schedule. It works on *time’s* schedule.

Think of dividend investing like a crockpot, not a microwave. You set it, forget it, and let the flavors build. Open it too early, and you just ruin dinner. Leave it alone long enough, though, and you end up with something rich, satisfying, and worth bragging about.

**Core Takeaway:** Dividend investing works because it’s slow, steady, and built on common sense. Quality businesses. Sustainable payouts. Growing income. Patience. Do those four things, and you’ll have an income stream that laughs at inflation and doesn’t care what CNBC is screaming about.

# The Dividend Checklist (Before You Buy a Stock)

Buying a dividend stock without doing a little homework is like saying yes to the first Tinder profile that swipes right on you. Looks good at first, but give it time — you'll either regret it or be pleasantly surprised.

Here's your five-question **Dividend Dating Checklist** to keep you from falling for the wrong stocks:

## 1. Dividend History: Do They Show Up?

A company that's been paying dividends for 10+ years is like a partner who actually remembers your birthday. Reliability counts. Bonus points if they've been raising dividends through recessions — that's like bringing you flowers even when they're stressed at work.

If they've cut dividends in the past? ▶ Big red flag. Cuts don't just hurt your wallet — they crush investor trust, and that scar doesn't heal quickly.

## 2. Payout Ratio: Can They Afford Dinner?

The payout ratio tells you how much of the company's earnings go toward dividends. Under 60%? That's healthy — like someone with a solid job, paying rent, and still able to take you out once in a while. Over 100%? They're literally giving away money they don't have. That's the financial equivalent of maxing out three credit cards to keep up appearances.

## 3. Dividend Growth: Do They Give You Raises?

A great dividend stock doesn't just hand you a paycheck — it hands you raises. Look for a track record of consistent increases, especially over the last 5–10 years. If they've been growing dividends faster than inflation, it's like being with someone who says, "I see how hard life is getting — let me step it up." That's love.

## 4. Balance Sheet Strength: Are They Broke?

Debt is like baggage in a relationship. Everyone's got some, but if it's too much, it's going to crush you. A company drowning in debt is always one bad quarter away from saying, "*Sorry, babe, no dividend this year.*" Look for strong cash flow and manageable debt levels.

## 5. Business Moat: Will They Still Be Around in 20 Years?

The best dividend payers are boring, predictable, and built to last. Toothpaste. Band-aids. Toilet paper. (Seriously, when was the last time someone said, “*I’m done with toilet paper, I’m switching to something new*”?) That’s a moat.

Avoid companies that are just chasing trends. If the business might not even exist in 10 years, don’t expect them to keep paying you for 20.

### ✓ The Swipe-Right Test

Before you buy, run through this checklist:

- Do they *show up* (history)?
- Can they *afford dinner* (payout ratio)?
- Do they *give you raises* (growth)?
- Are they *financially stable* (balance sheet)?
- Will they *still be around* (moat)?

If a stock checks these boxes, congratulations — you’ve found a keeper.

## Example: Yield vs. Growth in Action

Meet Jane and Mike. They're both smart, hardworking people, and in 2005, they each had \$100,000 to invest. Both wanted retirement income, but they took very different paths.

### Jane: The Yield Chaser

Jane went for the stock paying a fat 7% dividend. Why? Because who doesn't like instant gratification? It's like the difference between eating dessert first vs. waiting for dinner. She saw \$7,000 a year in income and thought, *"I'm a genius. I'll never need to work again."*

And to be fair — at first, she looked brilliant. Every year, her dividend checks rolled in at \$7,000. Same amount. Reliable. Predictable. She even bragged to her friends: *"Mike's only getting \$4,000. I'm nearly doubling him!"*

But here's the problem: Jane's company didn't grow its dividend. Inflation kept climbing, groceries got more expensive, and suddenly \$7,000 didn't stretch as far. By year 10, her income was exactly the same. By year 20? You guessed it. Still \$7,000. Her "dessert first" strategy turned into financial indigestion.

### Mike: The Patient Grower

Mike chose the stock with a 4% starting yield. Modest \$4,000 in year one. His friends teased him — *"That's it? You can't even cover the cable with that!"*

But Mike's stock had an 8% annual dividend growth rate. That meant every year, his "paycheck" from the company got a raise.

- Year 1: \$4,000
- Year 10: ~\$8,600
- Year 20: ~\$18,500

By year 10, Mike had already passed Jane's \$7,000 income. By year 20, he was making **2.5 times more** than Jane. And unlike Jane, he wasn't stressed about inflation because his dividends kept growing faster than prices.

### The Moral of the Story

- Jane chased yield and got stuck.
- Mike chose growth and ended up thriving.

It's the classic tortoise and hare story, but with dollar signs. High yield looks exciting at first — like the flashy sports car. But dividend growth is the reliable SUV that gets you further, safer, and with more money left in your pocket.

**Key Takeaway:** Don't just ask, *"How much income do I get today?"* Ask, *"How much income will I get 10, 20, or 30 years from now?"* That's the real retirement game.

# Quick Guide to DRIPs (Dividend Reinvestment Plans)

If dividends are the golden goose, a DRIP is the goose on autopilot.

## DRIP = Dividend Reinvestment Plan.

Translation: Instead of sending you cash, your dividends automatically buy more shares of the stock that paid you. Those new shares then start paying *their* own dividends. And on it goes. Like rabbits. Or gremlins after midnight.

## Why DRIPs Are Awesome

- **Compounding on Steroids:** You don't just earn dividends — you earn dividends on your dividends. It's like a snowball rolling downhill, picking up size, speed, and the occasional clueless skier.
- **Discipline Without Effort:** No decision-making. No temptation to spend your dividends on a new iPad you don't need. DRIPs do the adulting for you.
- **Dollar-Cost Averaging:** Dividends buy shares whether prices are high or low. Over time, this smooths out your costs — you become the Zen master of “buying without timing.”

Example: If you invested \$10,000 into a dividend stock at 3% yield and reinvested for 20 years, your income would grow 2–3x faster than just pocketing the cash. (That's the difference between “Wow, this is nice” income and “Why didn't I start sooner?!” income.)

## The Catch (Because There's Always One)

- **Retirees Beware:** If you need cash to live on, DRIPs can feel like reinvesting your Social Security check back into the government. Pointless.
- **Taxes Don't Care:** In a taxable account, you owe taxes on dividends whether you reinvest them or not. The IRS doesn't do DRIPs.
- **Overconcentration Risk:** Reinvesting into one stock automatically can lead to putting *too many eggs in one basket*. (Even if the basket is shiny and pays dividends.)

## When to Use DRIPs

- **Young & Building:** Yes, please. This is how you turn “small money” into “serious money.”
- **Close to Retirement:** Maybe. Great for your growth stocks, but you might want the cash from your high-yielders.

- **Hybrid Strategy:** Many brokerages let you choose where to DRIP. That means you can say, “Yes, *reinvest my Procter & Gamble, but pay me the cash from my REIT.*” Best of both worlds.

**Key Takeaway:** DRIPs are like putting your portfolio on an automatic workout plan. You may not notice the progress month to month, but give it 10 or 20 years and suddenly your portfolio looks like it's been training for Mr. Universe.

# Common Mistakes to Avoid

Dividend investing is simple... but humans are experts at making simple things complicated (and expensive). Here are the greatest hits of dividend blunders — hopefully none of which you're guilty of.

## 1. Chasing High Yields Like a Moth to a Flame

“Wow, a 12% yield! What could possibly go wrong?”

Answer: *everything*.

That 12% yield is usually a giant neon sign flashing: **Danger — Dividend Cut Ahead**. Companies don't give away money because they're generous. They do it because their stock price has tanked, and the market is betting the dividend won't last.

It's like dating someone who brags about giving expensive gifts but can't pay rent. Enjoy the Rolex while you can — the repo man is coming.

## 2. Forgetting Uncle Sam Wants His Cut

Reinvested dividends in a taxable account? The IRS is still waiting with its hand out. You can DRIP until you're blue in the face, but come tax time, that “free reinvestment” looks a lot more like a bill.

Moral of the story: *know which account you're DRIPing in*. IRAs = good. Taxable accounts = you'll need to budget for Uncle Sam's vacation fund.

## 3. Overloading on One Sector

“I love utilities. I'll buy every power company I can find. People always need electricity, right?”

Sure. Until regulators change the rules. Or a hurricane wipes out your grid. Or natural gas prices go haywire.

Over-concentration is how people take a stable income strategy and turn it into a high-stakes gamble. Diversify a little. Own some toothpaste companies, some soda companies, maybe a drugmaker or two. Balance — it's not just for yoga.

## 4. Ignoring Dividend Growth

A stock paying 8% today but never raising its dividend will look great in year one and terrible in year ten. Inflation is like that sneaky friend who always borrows \$20 but never pays you back — your money doesn't go as far as it used to.

Dividend growth is the raise that keeps you ahead of the rising cost of groceries. Ignore it, and your “steady” income turns into a slow-motion pay cut.

## **5. Thinking You’re Smarter Than Time**

Some investors get bored waiting for compounding to work. They sell their dividend payers to chase the next shiny growth stock. Spoiler: nine times out of ten, they end up back where they started — except with less money and more regret.

Compounding only works if you give it time. It’s like planting oak trees and then yelling at them for not being tall enough after a month. Patience, grasshopper.

**Key Takeaway:** Dividend investing works best when you avoid getting fancy. Don’t chase ridiculous yields. Respect taxes. Diversify. Demand growth. And above all — stop interrupting compounding while it’s trying to make you rich.

# A Simple Starting Portfolio Blueprint

So you've got your Dividend Checklist, you've avoided the rookie mistakes, and you're ready to build your dividend empire. But where do you start? Do you just throw darts at a list of dividend stocks and hope for the best? (Hint: no. Please don't.)

Think of your dividend portfolio like building a baseball team. You need reliable players, rising stars, and a couple of power hitters. Not everyone's going to hit a home run every at-bat — but together, they'll win games.

Here's the **three-bucket system** to get you started:

## 1. Anchor Stocks (a.k.a. The Dependables)

These are your All-Stars. Solid, boring, always there when you need them. Think Johnson & Johnson, Procter & Gamble, Coca-Cola. They're not flashy, but they show up every season and deliver.

- Typical yield: 3–5%
- Role: Provide reliable, steady income.
- Translation: They're the paycheck you can count on, like that friend who's always on time and always brings snacks.

## 2. Growth Stocks (The Rising Stars)

These players don't score big right out of the gate, but give them a few seasons and they're hitting it out of the park. Their dividends start smaller, but grow faster than inflation. Over time, they outpace the Anchor Stocks and become income machines.

- Typical yield: 1–3% (don't panic — the magic is in the growth rate).
- Role: Grow your income steadily over decades.
- Translation: They're the intern who started with coffee runs but is now running the company.

## 3. Income Boosters (The Power Hitters)

These are your utilities, REITs, or higher-yield funds. They give you bigger checks today but might not grow as much tomorrow. Sprinkle them in for extra juice — just don't overload or you'll end up with a lopsided team.

- Typical yield: 5–8%+
- Role: Provide extra income now.

- Translation: They're the guy who either hits a home run or strikes out. Fun to watch, but don't build your whole team around him.

## **The Winning Lineup**

- **Anchors:** 50–60% of your portfolio (steady, reliable).
- **Growth:** 25–35% (your future raises).
- **Boosters:** 10–20% (the fun, higher-yield income).

This mix gives you income today, raises tomorrow, and a balanced team that doesn't collapse if one player has a bad season.

**Key Takeaway:** Don't try to be a hero swinging for the fences on every pitch. Build a team of solid dividend payers, let them play their roles, and watch your retirement income win games year after year.

## Your Next Step

Congratulations — you’ve officially graduated from “*I’ve heard of dividends*” to “*I actually know what I’m doing with dividends.*” That puts you ahead of 90% of investors who are still out there chasing the next hot stock tip from their brother-in-law or TikTok guru.

But here’s the thing: knowing is not the same as doing. This kit is your starter pack, not the finish line. Now it’s time to actually build your portfolio, collect those checks, and let compounding do the heavy lifting.

### So what should you do next?

1. **Run the Checklist**

Before you buy your next stock, pull out the Dividend Checklist. (It’s your financial version of “Is this person dateable?”) If it passes, great. If not, move on.

2. **Pick Your Team**

Start small: one Anchor stock, one Growth stock, maybe one Booster. Don’t overthink it. Even Babe Ruth had to step up to the plate for the first time.

3. **Turn on DRIPs (if you’re building)**

Let your dividends reinvest and compound quietly in the background. You’ll be shocked how big the snowball gets while you’re not looking.

4. **Stay Patient**

Dividend investing isn’t about drama. It’s about time, consistency, and boring brilliance. Remember: boring gets rich.

### Want More?

So, you’ve got the Starter Kit, you’ve got the Checklist... now what?

Here’s where things get exciting: it’s time to actually put your money tree in the ground. That’s where our **Simplicitree Plan** comes in.

Think of it like this: you wouldn’t plant an orchard without a map. Same with your dividends. A Simplicitree Plan is a simple, personalized roadmap we’ll build with you — showing exactly how your income can grow, when it’ll show up, and how you can sit back and let the fruit keep coming.

And the best part? It’s quick. Just click the link, schedule a short call with Robb Rothrock, and he will help you start building your very own income tree.

**[ Click here to get your Simplicitree Plan ]**

( <https://calendly.com/robbrothrock/quick-15min-call> )

This kit is the appetizer... but the Simplikitree Plan? That's the steak dinner.

**Final Takeaway:** Dividend investing isn't a get-rich-quick scheme. It's a *get-rich-sure* strategy. Start with quality, reinvest where it makes sense, avoid the shiny distractions, and give it time. Do that, and your future self will thank you from a hammock somewhere with a cold drink in hand.



# The Dividend Checklist

*Before You Buy That Stock... Ask These Five Questions*

## 1. Dividend History: Do They Show Up?

- Have they paid dividends consistently for 10+ years?
- Bonus: Have they raised dividends through recessions?  
👉 Reliable = keeper. Sketchy history = swipe left.

## 2. Payout Ratio: Can They Afford It?

- Is the payout ratio under 60%? (Generally safe range.)
- Over 100%? 🚨 They're giving away more than they make.  
👉 If it looks too good to be true, it usually is.

## 3. Dividend Growth: Do They Give You Raises?

- Have they raised dividends at least 5 of the last 10 years?
- Growth rate > inflation? Even better.  
👉 No raises = slow-motion pay cut.

## 4. Balance Sheet Strength: Are They Broke?

- Do they have manageable debt and solid cash flow?
- Can they cover dividends even in a bad year?  
👉 Think "responsible adult with a budget," not "maxed-out credit cards."

## 5. Business Moat: Will They Still Be Around?

- Is this a business people *can't* live without (toothpaste, soap, soda, power)?
- Or a trend that might not exist in 10 years?  
👉 Wide moat = durable income. No moat = hope and prayers.



## Quick Test: The Swipe-Right Test

- Dividend history
- Healthy payout ratio
- Dividend growth
- Solid balance sheet
- Durable moat

**If your stock checks all five boxes → congrats, you've found a keeper.**



## Ready to See How This Could Apply to Your Portfolio?

The Dividend Starter Kit gives you a simple way to think about investing differently: income, discipline, compounding, growth, and flexibility.

### Knowing the Concept Is Not the Same as Having a Plan

Instead of relying only on price appreciation, dividend investing focuses on owning quality companies that can generate income, grow that income over time, and help create a more disciplined long-term strategy.

But the real question is not just, "Do dividends make sense?" The better question is:

**How could an income-focused investment approach fit into your own portfolio?**

### A Few Questions Worth Asking:

- How is my current portfolio positioned today?
- Where could future income come from if I wanted or needed it?
- Are my investments built mainly for growth, income, or both?
- How could reinvesting income support long-term compounding?
- What questions should I ask before making my next financial decision?

### Start a Conversation With Robb

A Simplicitree Plan is a personalized roadmap designed to help organize the facts and show how an income-focused approach may apply to your own situation.

If you already have an advisor you trust, that is perfectly fine. This may simply give you a few helpful talking points for that relationship. But if you would like a second set of eyes, I would be happy to have a brief conversation.

### Ready to Take the Next Step?

Click the button, use the link, or scan the QR code to schedule a quick call.

**Start a Conversation With Robb**

<https://calendly.com/robbrothrock/quick-15min-call>

**Call/Text: 214-764-8282 | Email: [robb@rothrockfg.com](mailto:robb@rothrockfg.com)**



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