

**Paul Rubillo**  
CEO and Founder of Dividend.com

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# Dividend MILLIONAIRE

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**A Proven, Low-Risk Approach That Will  
Generate Income for the Long Term**

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To my family and friends who have supported me during my entrepreneurial endeavors. Without you, this book wouldn't be possible.

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## About the Author

**Paul Rubillo** is the Founder and CEO of Dividend.com, the #1 source for long-term investors. Paul's daily content is featured on such major finance portals as TheStreet.com, RealMoney.com, Forbes.com, AOL Money & Finance, and NASDAQ.com. Paul was also formerly the exclusive author of the NASDAQ.com daily e-newsletter "NASDAQ Stocks to Watch."

Paul is well-known for breaking down key stocks, themes, and trends in an easy-to-digest style, encouraging investors to understand and take advantage of short-term gyrations while focusing on long-term investment goals. Paul motivates readers to take action within their financial lives today so that they can stay ahead of any impending movements in the market tomorrow.

Prior to launching Dividend.com, Paul was a highly successful stock trader who managed his own capital for more than 13 years of full-time market experience.

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# Preface

I have always been a passionate entrepreneur. My entrepreneurial spirit was one of the things I inherited from my dad, despite his apprehension about the path I chose in my quest for success.

My father was a 24-year-old immigrant who came to the United States from Italy in 1966 with barely a penny to his name. Within his first three months in America, he met and married my mom and then opened his own successful barber shop in Yonkers, New York, without speaking a word of English. Two years later, I was born.

Yonkers was a town of great diversity and brutal honesty. People were real, never artificial, and weren't shy about sharing their exact opinions about what you were doing. If they thought your work weren't any good, they'd tell you so, using the sort of simple language and sheer candidness that only old school immigrants use. Their harsh words taught me not to be too sensitive, which became a big help to me in the business world, where starting a new venture almost always means facing lots of "no's" along the way.

After graduating in the top 10 percent of my high school class in Yonkers, I decided to put off going to college and instead took my crack at starting a career. I was always interested in making money, and I wanted to get a feel for what opportunities were out there—but first I had to convince my parents I wasn't doing something crazy. You could say they were my first real sale.

Back in the day (the early 1980s for me), I found myself in a "who you know" environment that determined the employment paths of several family members and friends. Being a barber, it seemed like my dad knew everyone, from senators to police commissioners, and my first two employment connections came directly through my father's

scissors. I worked for the U.S. Postal Service delivering mail for about nine months until I realized that the *slower* you worked, the more money you made—hardly the way I wanted to spend my life.

Another city job on a trash truck lasted a mere two days. I'll never forget the woman who came out with cold beverages for us at eight o'clock in the morning. When I got in the truck and opened the brown bag, instead of water or Gatorade, she had gladly supplied my crew and me with a six-pack of beer! Then, on my second and final day on the job, I gashed open my arm with an exposed can lid that had been poking out of a garbage bag I'd picked up. This was definitely not going to be my life either! At that moment, I told myself that I was taking charge of my own life. I was more than ready for a different direction.

I was putting the thought of going to college further and further out of my mind, and instead focused on getting myself into a spot where I could own my own business. Becoming a business owner became my primary goal, and I was willing to do whatever it took to make my dream happen. I had a couple of friends that worked in the deli business, and I knew they enjoyed their work and made plenty of money. My parents thought I was crazy for wanting to stand on my feet for 14 hours a day, but I learned the business inside and out, and then I bought my own deli in nearby Dobbs Ferry, New York.

I put everything I had into my new business, working seven days a week for the next five years, taking only six days off during that entire time span. I did very well there, and I loved my work. There were several challenges to tackle each day, including dealing with dozens of vendors and the ever-changing wants and needs of my customers. There truly is nothing quite like owning a business in the state of New York. Back behind the counter, I felt almost like I was on stage each day, entertaining the customers through our lively conversations, which often centered on New York sports teams. The passion that New York sports fans have for their teams make for some of the most

colorful conversations you could ever hear, and I thrived off of it. I enjoyed my work and the lasting friendships that came along with it.

Then one day, a financial planner stopped by my store back in the mid-90s and convinced me that I should think about investing my money. My wife and I had just had our first child, and I knew it was time to really start planning my future. I invited the financial planner over to my house one night to discuss things further, and I wound up asking him so many questions that I had his head spinning. By the end of the night, he told me he had a feeling that in a few years I would know more about investing than he did. Was he ever right!

I quickly set my mind to learning everything I could about investing. Within a year, I was enjoying great success as a part-time day trader and felt financially secure enough that I decided to sell my business to one of my employees. I decided to take my capital that I'd worked so hard to earn and become a full-time investor in the stock market. I had been reading every book about investing that I could get my hands on, and I was more curious about things that could go *wrong* in markets, rather than just what a bull market was about. The market was doing really well at the time, and we were about to head into an amazing run fueled by tech stocks, Internet IPOs, and seemingly anything else that had a one, two, three, or four-letter symbol attached to it. I was already making money in the markets, but I had worked extremely hard for my capital, and the last thing I wanted to do was just throw it at any stock and expect it to go up.

Many investors at that time weren't nearly as disciplined as I was, and foolishly held onto stocks for way too long. Novice investors often think things such as "Why should I sell it at \$80, when I could have sold it for \$110 last week?" The lack of a sell discipline was a major reason many day traders from the late 90s disappeared—they would make money on ten different trades but then give it all back with one gigantic loss.

By 1999, I realized that the stock market was showing signs of the many manias that I'd heard about in the financial books that I'd been reading. At every party or social gathering I went to, people talked to me about the stocks they owned, and it was apparent to me that they didn't know what they were doing. The handwriting was on the wall. The market soon imploded, and many people who previously thought they could trade for a living had to go back to reality.

I, on the other hand, was still playing the market well. People felt they had to commiserate with me for still being in the market, but I was making money. Many investors didn't even realize they could make money when the market went down! I kept my trades simple with just buys and shorts (positions that would make money if the stock fell), and never ventured into the more-complicated world of options. I stuck to what I knew best, and that was gauging the market on a daily basis. I continued trading for the next several years; then at the end of 2007, I reached another significant point in my life. When my daughter was asked what kind of work I did, she said, "My dad doesn't work. He does stuff on the computer."

With that, I was ready for another business venture. I missed being in the public eye. And I wanted to do it online, because I felt that was where everything was already heading. Living on the water had been a lifelong dream of mine, and I had since moved with my family to the town of Smithville, near the Jersey Shore. I got together with a friend who was a web developer, Tom Reese, and spoke to him about going national with my stock research, focusing on rating dividend-paying stocks through our own mathematical paradigm. We wanted to focus on long-term investing with dividend stocks because that has historically been the best possible investment route for the vast majority of the general public. That was when I came up with the idea for Dividend.com, and after several months in development, we launched our new website.

Only one month later, we arranged a meeting with a giant in the financial media space, TheStreet.com. My partner and I traveled up to New York City, and by the end of the meeting, we left with an oral agreement to syndicate our dividend stock content on TheStreet.com. As I walked out of there later that day, I knew we had something special on our hands.

Access to much of the daily content on Dividend.com is free, and we generate revenue from the website by selling advertising space and through a subscription service called *Dividend.com Premium*, where users pay a fee to access our proprietary stock ratings and other members-only content. We've purposely made our website easy for almost anyone to understand and follow. At the end of the day, I feel like I'm helping people secure their financial futures, and I'd like that to be my legacy. My goal from the outset was to build a third-party stock research platform for the masses, and six months after our launch, we were attracting 200,000 monthly visitors. Our stock-picking formulas and other proprietary research tools make it easy for me to judge what a specific investor should do about investing in specific stocks. Nobody's perfect, but my experience tells me that if I tell someone to get out of a stock at \$30, the price will probably hit \$20 before it sees \$40. I don't care if users buy or sell—I'm interested in helping the people who visit Dividend.com, and every day I wake up excited about what I'm doing.

The stock market can be difficult to navigate, but with Dividend.com—and especially this book—my goal is to make investing as un-intimidating as possible. The goal of this book is to share my investing experience with the public to help people secure their financial futures and become what I call a *Dividend Millionaire*. In the following chapters, we cover topics ranging from how to reduce expenses, to my rules of stock investing, and finally, how to grow your money over the long term and retire financially secure. I truly hope this book inspires you and provides insight into what it takes to be a successful investor.

I want to thank my parents, Michael and Anna, wife Danielle, kids Sonia, Olivia, and Michael, partner Tom Reese, and friends that have believed in the dream that I've had and stuck by me the whole way through. Now, let's roll up our sleeves and get down to what you need to know to secure your financial future!



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## Introduction

### **Lessons Learned and Why You Need This Book**

My goal is for this book to be your financial guide in any sort of economy. Whether you are investing in a bull (up) or bear (down) market, the focus should not be about minimizing losses, but rather achieving positive results. Investing is about thriving, not surviving! I have found that investing books tend to run in spurts based on the current investing environment of the latest trend or the flavor of the day. Every market has its ups and downs, and you can ride out the storm and make money even in down times—so long as you are prepared. I hope this book can help you remain grounded and focused in your investing, regardless of outside economic factors.

As an investor, you always need to have two key assets: *discipline* and *respect* for your money. Those are your two biggest allies in becoming a *Dividend Millionaire*. You also need to invest without emotions. If a stock has done well for an investor, sometimes it can lead to a strange allegiance that holds investors back from selling their shares. This sort of emotional attachment is a dangerous enemy of successful investing. Some investors feel like they're dumping their pet at a kennel when they sell a "loyal" stock, but always remember, no matter how well a stock (or any other investment for that matter)

has done for you, it is still *not your friend*. Don't ever let your emotions cloud the vision of your main objective of long-term financial security.

A wise man once said that “the only true constant is change.” Just as things change in life, investment cycles change as well, and flexibility and discipline are your allies in adapting to change. This doesn't mean you have to get in and out of stock positions on a daily basis, but you do need to be cognizant that things *will* change as time moves on. As we go through natural cycles in the market, what is hot today may not be hot in the next two years, or even the next two months. Regardless of your investing time frame, you must be willing to go with the market flow. To be successful in investing and achieve positive results, you need to remain flexible and have the discipline to say goodbye when things are not working anymore.

## **The Tough Realities of Modern Retirement**

If you want to retire comfortably, you need to take the lessons contained in this book to heart. Retiring is more difficult than ever, and some startling data has come to light in recent years:

- A recent study by Towers Watson found that the value of total retirement benefits provided to new salaried employees between 1998 and 2008 in the eight industries it surveyed declined by 19%. Increasingly, both public and private sector employers are cutting costs by slashing workers' benefits—making it harder and harder to count on a pension or 401(k) to pay for your retirement.
- Since 1983, Social Security cost-of-living increases have averaged only 3.27% per year. In 2010, Social Security benefits were not increased at all, for the first time in the 35-year history of the cost-of-living program—despite an estimated 6.2% increase in the everyday expenses of most Americans! Unfortunately for many, the government announced there will be no Social Security benefits increase for 2011, either.

- People's faith in the Social Security system is rapidly dwindling, according to a Gallup Poll in July 2010. Some 60% of nonretired U.S. adults do not believe the Social Security system will ever pay them a single benefit when they do retire. Meanwhile, 56% of current retirees believe their Social Security benefits will be cut.
- As a country, we are getting older. In 2010, around 16% of the population was 62 or older—and most were eligible for Social Security. By 2020, though, 20% of the population will be 62, and that number will swell to 30% in 2030! Where is the money going to come from to pay for the retirement benefits of so many additional seniors?

I'm bringing these statistics to your attention to help you realize just how important it is to take control of your own financial future. Retirement is no longer an issue you can leave in the hands of your employer, or the bank, or the federal government. The handwriting is on the wall – in the years to come, it will be *expected* that people make most, if not all, of their own retirement arrangements. The personal finance and investing lessons I'm going to share with you will give you a head start on this process.

## Why Dividend Investing?

After well over a decade successful full-time trading, I came to a realization that dividend stocks were the best possible investment vehicle for the vast majority of the investing public. That's because dividend stocks

- Pay investors just for owning the stock
- Provide the rare combination of capital gains (price appreciation) and cash flow (dividend payouts)
- Can be used for long-term compounding returns or as an income source
- Are more stable and protective than nondividend stocks because high-quality dividend names have large, dedicated shareholder bases who hang onto shares for a long time

- Provide inflation protection because companies tend to increase dividend payouts when they gain more pricing power
- Work in any economic environment, returning an average of 11% over the past 80 years
- Almost always outpace other yield-focused investments such as bonds, CDs, and savings accounts

As you can see, the reasons for owning dividend stocks are numerous. Plus, it's probably a lot easier than you think to become a *Dividend Millionaire*—all the lessons you need to learn about saving money, putting it to work for you, and growing it over the long term are contained in the pages of this book.

Do you want to be a *Dividend Millionaire*?<sup>2</sup> Everyone does, so let's get started!

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