



INCOME INVESTING

Are Blue Chip Stocks the Answer to the Income Investor's Dilemma?

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December 11, 2015, 4:01 P.M. ET

It has been a terrible week for yield-hungry investors.

Falling crude and a massive dividend cut from Kinder Morgan ([KMI](#)) has pounded energy-focused master limited partnerships. Junk bonds have been shellacked as fund withdrawals accelerated and a high risk mutual fund imploded. Utilities and real estate investment trusts have slumped as investors prepared for a Federal Reserve rate hike next week.

The antidote to all this carnage, suggests **John Petrides, portfolio manager at Point View Wealth Management**, is buying blue chip dividend stocks.

Petrides writes to Barron's:

Investors need to balance their portfolio and have a portion focused on total return, not entirely seeking to maximize income. There are plenty of high quality blue chip stocks with a yield above 3% that can fit this bill. More importantly, what the baby boomers need to focus on is growing income, not just current yield. Stick with companies that have a history of raising their dividends.

His suggestions:

- Walmart ([WMT](#)): attractive at 3.3% yield
- Johnson & Johnson ([JNJ](#)): has a 2.9% yield and has grown the dividend 10% annually for the past 10 years
- AT&T ([T](#)): just completed the Direct TV merger and offers 5.5% yield

While these stocks may also be volatile along with market conditions, he thinks the dividends are secure and may grow for some of them. Petrides writes:

In theory, if you are an income investor, you should view your portfolio like a rental property. As long as the cash flow comes in and the tenant pays the monthly check, you should not care about the short term movements in the values of homes in the surrounding area. In income investing, as long as the companies do not cut, suspend, or eliminate the dividend, less attention should be focused on the day-to-day movement on the investments. In practice this can be hard to follow in a volatile market.