Seeking Alpha α

Dividend Strategy

Dividend Harvesting: Building The Portfolio Brick By Brick On $100 A Week, Week 4 Update

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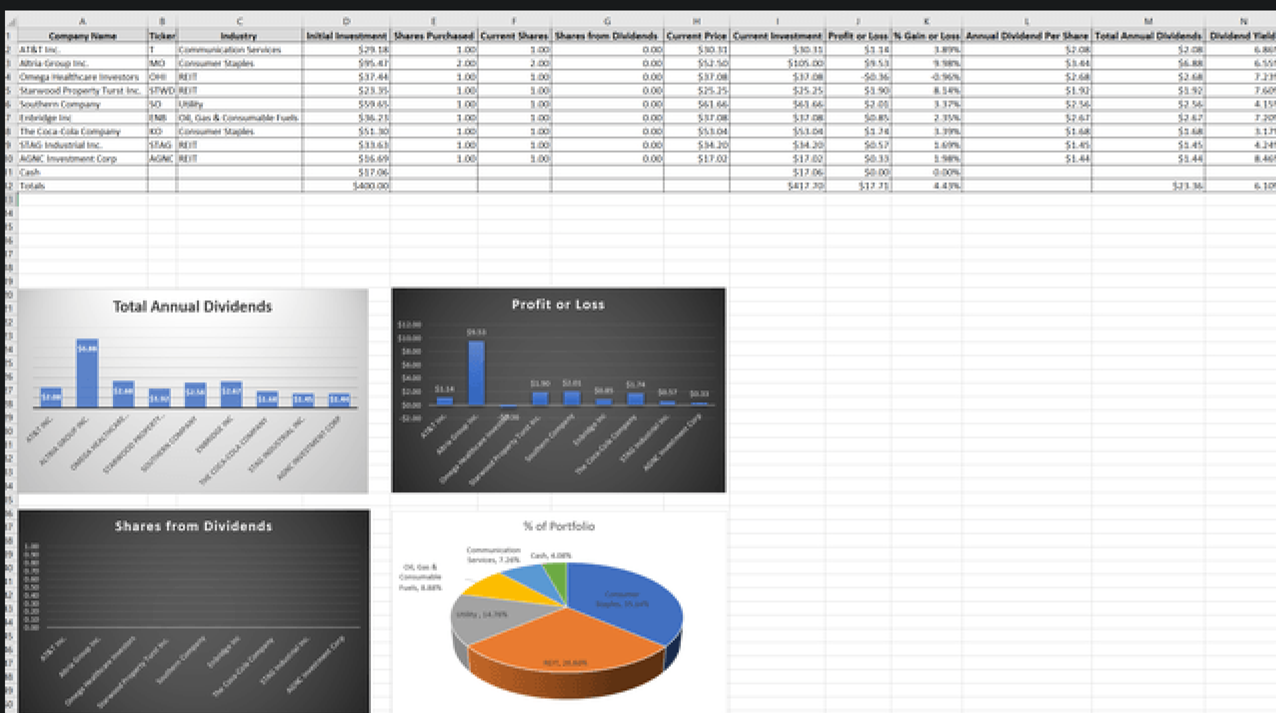
Summary

- After 4 weeks, I have 9 investments in the $100 a week portfolio generating $23.36 in dividends or 6.10%.
- In week 4, I added 1 share to my position in MO and started a position in AGNC and STAG.
- MO just went ex-dividend and STWD goes ex-dividend on 3/30/21 which will start my dividend reinvesting journey for this portfolio in April.

Photo by RomoloTavani/iStock via Getty Images

After 4 weeks of funding my Dividend Harvesting portfolio with $100 a week, the portfolio in its entirety has appreciated by 4.43% as it closed at $417.70. Of the $400, I have invested $382.93 across 9 stocks, which is generating $23.36 in annual dividends which is an overall yield of 6.10%. In week 4, I added 1 share of Altria (MO) prior to the ex-dividend date while starting new positions in STAG Industrial Inc. (STAG) and AGNC Investment Corp. (NASDAQ:AGNC).

By adding a share of both STAG & AGNC I gained exposure to two REITs I like which pay monthly dividends. I have $17.06 sitting in cash so in week 5 my purchasing power will be $117.06. I am considering purchasing AbbVie Inc. (ABBV) or waiting for a pullback and adding another share of T and an ETF. Overall I am very happy with the progress and I am actually shocked 8/9 of my positions are in the green.



Company Name	Ticker	Industry	Initial Investment	Shares Purchased	Current Shares	Shares from Dividends	Current Price	Current Investment	Profit or Loss	% Gain or Loss	Annual Dividend Per Share	Total Annual Dividends	Dividend Yield
AT&T Inc.	T	Communication Services	$29.18	1.00	1.00	0.00	$30.31	$30.31	$1.14	3.89%	$2.08	$2.08	6.86%
Altria Group Inc.	MO	Consumer Staples	$95.47	2.00	2.00	0.00	$52.50	$105.00	$9.53	9.98%	$3.44	$6.88	6.55%
Omega Healthcare Investors	OHI	REIT	$37.44	1.00	1.00	0.00	$37.08	$37.08	-$0.36	-0.96%	$2.68	$2.68	7.23%
Starwood Property Turst Inc.	STWD	REIT	$23.35	1.00	1.00	0.00	$25.25	$25.25	$1.90	8.14%	$1.92	$1.92	7.60%
Southern Company	SO	Utility	$59.65	1.00	1.00	0.00	$61.66	$61.66	$2.01	3.37%	$2.56	$2.56	4.15%
Enbridge Inc	ENB	Oil, Gas & Consumable Fuels	$36.23	1.00	1.00	0.00	$37.08	$37.08	$0.85	2.35%	$2.67	$2.67	7.20%
The Coca-Cola Company	KO	Consumer Staples	$51.30	1.00	1.00	0.00	$53.04	$53.04	$1.74	3.39%	$1.68	$1.68	3.17%
STAG Industrial Inc.	STAG	REIT	$33.63	1.00	1.00	0.00	$34.20	$34.20	$0.57	1.69%	$1.45	$1.45	4.24%
AGNC Investment Corp	AGNC	REIT	$16.69	1.00	1.00	0.00	$17.02	$17.02	$0.33	1.98%	$1.44	$1.44	8.46%
Cash			$17.06					$17.06	$0.00	0.00%			
Totals			$400.00					$417.70	$17.21	4.43%		$23.36	6.10%

(Source: Steven Fiorillo)

A look inside the portfolio after 4 weeks and $400

In week 3, consumer staples and REITs grew as I added 1 share of MO and started a position in AGNC and STAG with 1 share each. Consumer staples makes up 35.14% of the portfolio as I invested $146.77 between MO and The Coca-Cola Company (KO). Then I have $111.11 invested across 4 REITs making that 26.6% of the portfolio. The remaining 34.98% is allocated between utilities (14.76%), oil, gas & consumable fuels (8.88%), communication services (7.26%) and cash (4.08%). I am looking to add more companies and sectors to add diversity and even out my allocations.

After the close of week 4, I have funded this account with $400 which has appreciated to $417.70 for a return of 4.42% (($417.70 - $400) / $400). At the end of week 3, the $282.20 I had invested was generating $17.03 in dividends on an annual basis. At the end of week 4, I had invested $382.93 across 9 companies that were generating $23.36 in dividends on an annual basis. My investments in week 4 increased my annual dividends by $6.33 or 37.17% (($23.36 - $17.03) / $17.03).

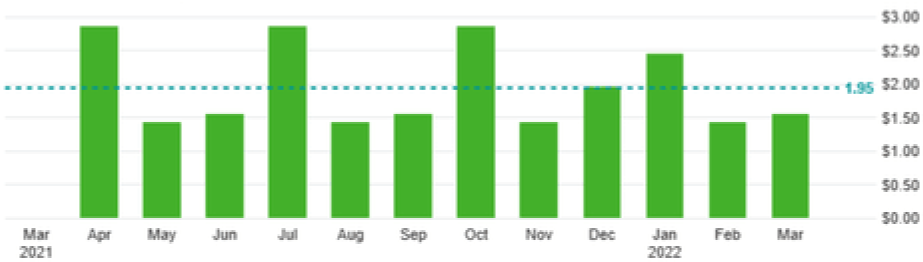
My average monthly income increased by 37.32% from $1.42 to $1.95 (($1.95 - $1.42) / $1.42). As I continue to invest, my average monthly income from dividends continues to grow organically. This will start to increase at a quicker rate as dividends start to get reinvested in April.

Estimated Annual Income

$23.35

9 of 9	Investments That Pay Dividends
$1.95	Estimated Average Monthly Income
5.83%	Average Dividend Yield for Populated List

Estimated Income Pay Dates



Income calculated from 03/28/2021 to 03/27/2022

Income-Paying Investments

All | Add symbol(s) | Add | Calculate income

Symbol	Name	Next Pay Date	Dividend Yield	Div per Share	Dividend Frequency	Quantity	Market Value	Estimated Annual Income
MO	Altria Group Inc	04/30/21	6.55%	$0.860	Quarterly	2	$105.00	$6.88
OHI	Omega Healthcare Inv...	05/17/21	7.23%	$0.670	Quarterly	1	$37.08	$2.68
ENB	Enbridge Inc	06/01/21	7.16%	$0.664	Quarterly	1	$37.08	$2.66*
SO	Southern Co	06/08/21	4.15%	$0.640	Quarterly	1	$61.66	$2.56
T	AT&T Inc	05/03/21	6.86%	$0.520	Quarterly	1	$30.31	$2.08
STWD	Starwood Property Tru...	04/15/21	7.60%	$0.480	Quarterly	1	$25.25	$1.92
KO	Coca-Cola Co	04/01/21	3.17%	$0.420	Quarterly	1	$53.04	$1.68
STAG	STAG Industrial Inc	04/15/21	4.24%	$0.121	Monthly	1	$34.20	$1.45
AGNC	Agnc Investment Corp	04/12/21	8.46%	$0.120	Monthly	1	$17.02	$1.44
						Total Market Value & Estimated Annual Income:	$400.64	$23.35

*Currency is converted to U.S. dollars. **Dividends may include distributions and interest.

Calculate income

(Source: Income Generator from my account)

As a byproduct of adding more companies to this portfolio, my weekly dividend coverage has increased. Generating weekly dividends isn't an aspect of investing which I take into consideration but it is fun to track and a minor goal of the portfolio. In week 3 I was generating dividends in 13 weeks out of the year.

After adding AGNC and STAG I am now going to receive dividend income across 29 weeks of the year as they are both monthly income generators. After adding 9 companies to the portfolio I am generating dividends throughout 55.77% of the weeks in a year. Eventually, I plan on generating dividends across 50 weeks of the year.

Weekly Projected Dividends For 2021						
2021 Q1						
Month	January		February		March	
Week 1	3rd to 9th		7th to 13th	AGNC	7th to 13th	AGNC
Week 2	10th to 16th	STWD / MO / AGNC / STAG	14th to 20th	STAG	14th to 20th	STAG
Week 3	17th to 23rd		21st to 27th		21st to 27th	
Week 4	24th to 30		28th to 6th		28th - 3rd	KO / ENB
Week 5	31st to 6th	AT&T				
2021 Q2						
Month	April		May		June	
Week 1	4th to 10th	AGNC	2nd to 8th		6th to 12th	AGNC
Week 2	11th to 17th	STWD / STAG	9th to 15th	AGNC / STAG	13th to 19th	STAG
Week 3	18th to 24th		16th to 22nd		20th to 26th	
Week 4	25th to 1st	AT&T / MO	23rd to 29th		27th to 3rd	KO / ENB
Week 5			30th to 5th			
2021 Q3						
Month	July		August		September	
Week 1	4th to 10th	MO / AGNC	1st to 7th	AT&T	5th to 11th	AGNC
Week 2	11th to 17th	STWD / STAG	8th to 14th	AGNC	12th to 18th	STAG
Week 3	18th to 24th		15th 21st	STAG	19th to 25th	
Week 4	25th to 31st		22nd to 28th		26th to 2nd	KO / ENB
Week 5			29th 4th			
2021 Q4						
Month	October		November		December	
Week 1	3rd to 9th	AGNC	7th to 13th	AGNC	5th to 11th	AGNC
Week 2	10th to 16th	STWD / MO / STAG	14th to 20th	STAG	12th to 18th	KO / ENB / STAG
Week 3	17th to 23rd		21st to 27th		19th to 25th	
Week 4	24th to 30th		28th to 4th		26th to 31st	
Week 5	31st - 6th	AT&T				

(Source: Steven Fiorillo)

In last week's article, I had used $2.67 for Enbridge's (ENB) dividend. Multiple sites had different amounts for the dividend so I went to ENB's website as @vforde indicated that ENB paid $0.835 in the previous quarter. For those of you who are unfamiliar with ENB they are a Canadian company and pay $3.34 Canadian per share. I went on the X-RATES and $3.34 Canadian is now $2.648399 USD. When I looked the other day the conversion rate was actually just over $2.65 so it's been fluctuating.

If you look at the previous income generator I showed ENB said $2.67 and this week it says $2.66. The price keeps moving and for argument's sake I am keeping ENB's dividend rate at $2.67 so my articles are consistent.

Why I added to MO and started a position in AGNC and Stag

In week 3, I indicated that I was considering adding to my position in MO prior to its ex-dividend date on 3/24/21. I bought an additional share at $50.41 as I still see long-term share appreciation occurring on MO and feel it's still undervalued. The opportunity to add under $55 and collect an additional dividend was too good to pass up for me. I must have timed it just right because on Friday 3/26/21 MO increased by $2.31 per share (4.60%).

MO is set to pay $0.86 per share on 4/30/21. By adding the additional share right before the ex-dividend date I am going to collect a $1.72 dividend from MO which will be reinvested. I said from the beginning MO would be one of the cornerstones of this portfolio as it generates $3.44 per share and still yields over 6.5%. Personally, I think we will see MO get back over $60 a share sometime in 2021 but we will have to wait and see.

AGNC may not be for everyone and some may ask why I would invest in a mortgage REIT which has seen its monthly dividend decrease from $0.22 to $0.12 since October of 2014. One of the goals in this portfolio is investing in companies that have a long history of increasing dividends on an annual basis. I said there would be exceptions and AGNC is one of them. In some cases a solid company that trades sideways that pays a large dividend is fine for my dividend needs.

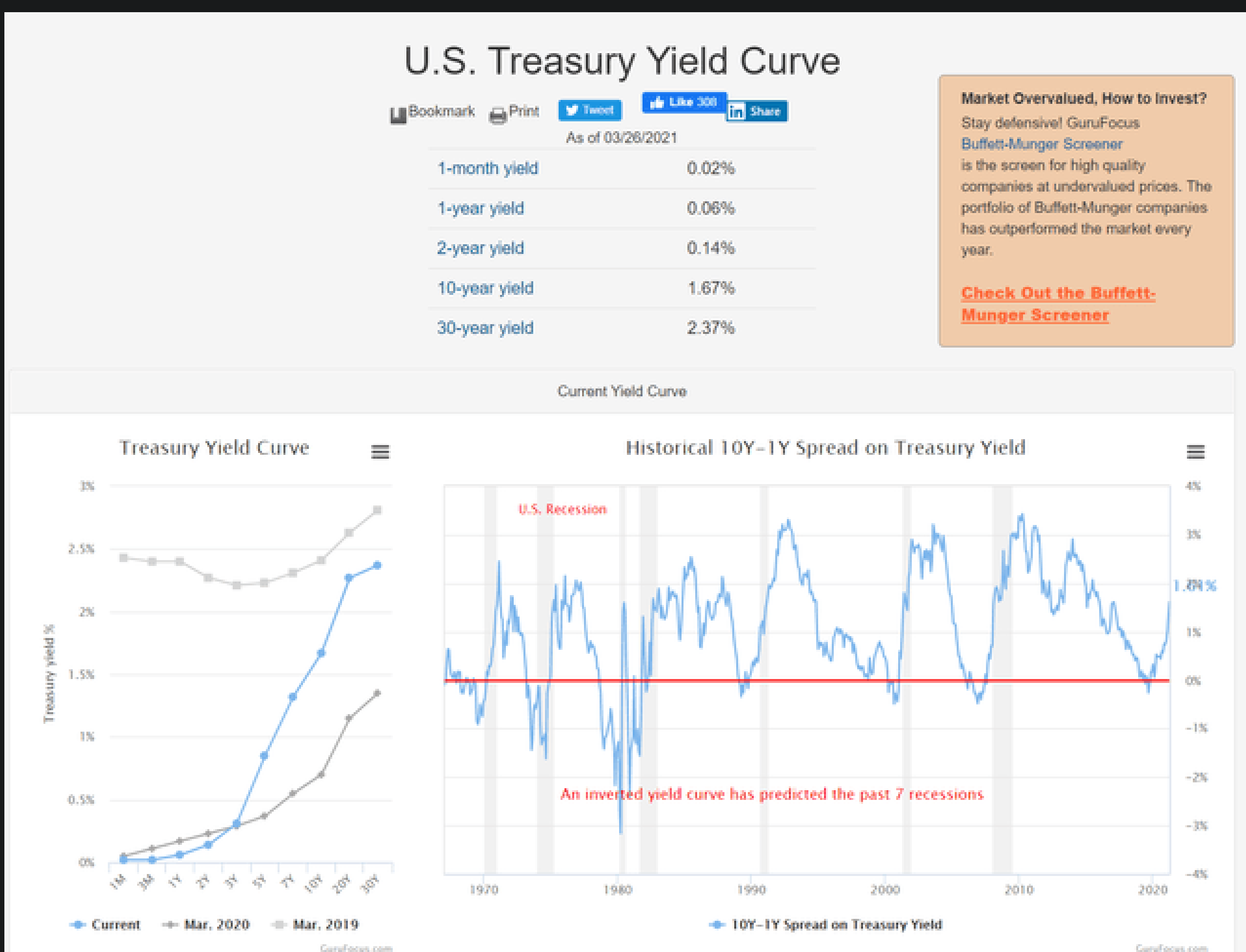
AGNC is just getting back to where it was in 2019 and still has some room to run in its recovery. Even if AGNC trades sideways for a while I can keep compounding its monthly dividend and create my own increases organically.

(Source: Seeking Alpha)

AGNC is a mortgage real estate investment trust which predominantly invests in agency mortgage-backed securities. There are two reasons why I really like AGNC here and those are the yield curve and agency mortgage-backed securities. A simplistic way to look at AGNC is they borrow money at low rates and buy mortgage-backed securities which have larger long-term yields. The difference between the yield AGNC generates on these investments and the interest AGNC pays to borrow the capital is known as the net interest margin.

When the spread increases between the two AGNC generates more money from their investments. Normally when the yield curve flattens or the Fed makes changes to interest rates, the spread shrinks causing AGNC to generate less capital. When the yield curve climbs which often occurs in an economic recovery the spread increases and AGNC does better. Currently, the yield curve is rising which is beneficial for AGNC.

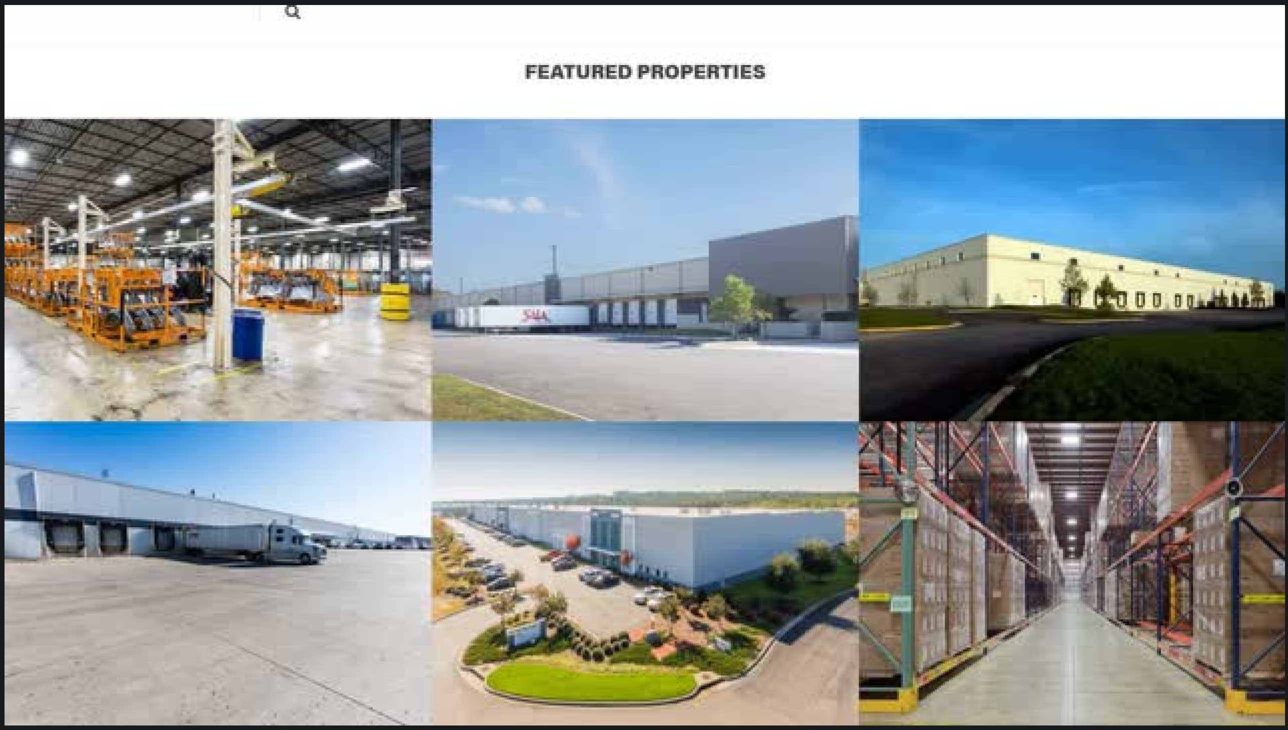
The second reason why I like AGNC is that they primarily invest in agency mortgage-backed securities. The mortgage-backed securities which AGNC is purchasing are backed by good old Uncle Sam in the event of a default which mitigates the downside risk. If you would like to read more about agency mortgage-backed securities check out this article. REITs that invest in mortgage backed securities may not be for everyone but I am willing to allocate a small portion of my portfolio to AGNC.



(Source: gurufocus.com)

STAG is a REIT that has been on my radar for a long time and I love their business. STAG focuses on acquiring and the operation of single tenant industrial properties within the U.S. STAG's portfolio consists of 98.2 million sq feet across 492 buildings in 39 states. I love industrial property because that is synonymous with storage and distribution and I believe the need will continue to increase. Many companies don't have the capacity to store all of their inventory onsite and need warehouse space.

Also part of the e-commerce model is vendor direct to customer which is known as VDC. On many big retail sites when you purchase an item there is a good chance that order gets kicked over directly to the vendor to ship out and the retail change serves mainly as a marketplace for the vendor's goods. In 2020 e-commerce made up roughly 15% of all retail sales. This is projected to increase to roughly 18% in 2024. As e-commerce continues to chip away at traditional retail I believe there will be an increased need for industrial space within the U.S.



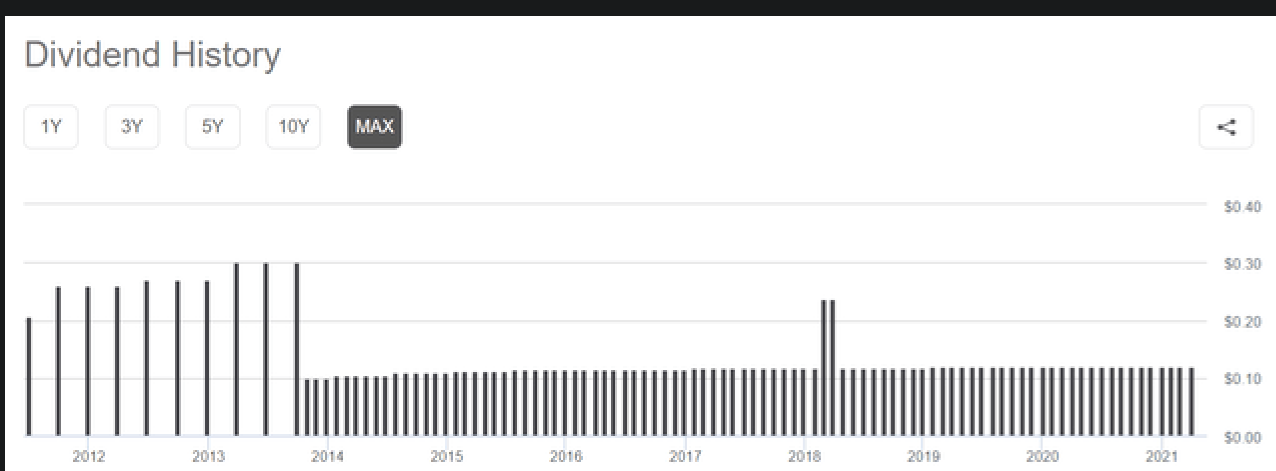
(Source: STAG)

(Source: Statista)4.

STAG's dividend is $1.45 per share and it is paid on a monthly basis. Its dividend yield is 4.24% with a payout ratio of 73.29%. STAG also has two years of annual dividend growth since converting its dividend from quarterly to monthly. Prior to this change STAG had increased its dividend 2 consecutive times. STAG has paid a consistent monthly dividend since 2014 and has a low enough payout ratio to continue its increases. I love that the dividend is monthly as my organic compounding effects will occur quicker than if the dividend was paid quarterly.

Dividend Summary

Div Yield (FWD)	Annual Payout (FWD)	Payout Ratio	5 Year Growth Rate	Dividend Growth
4.24%	**$1.45**	**73.29%**	**0.96%**	**2 Years**



(Source: Seeking Alpha)

What I am looking to do in week 5

I have been talking about ABBV for a few weeks and I am not sure if it will recede below the $100 mark. There is so much I like about this company from its drug pipeline to its dividend. Its yield is 4.91% and it pays $5.20 per share. ABBV has an incredibly low payout ratio at 41.85% with 8 years of consecutive dividend growth. ABBV's 5-year growth rate is 18.09%. I am considering adding ABBV but I may wait a few weeks to see if I can catch a downward trend in price.

If I don't end up using the majority of cash in the account for ABBV, I may add a share of AT&T (T) and NextEra Energy, Inc. (NEE) or some ETFs such as the Schwab U.S. Dividend Equity ETF (SCHD), SPDR Portfolio S&P 500 High Dividend ETF (SPYD), Oppenheimer S&P Ultra Dividend Revenue ETF (RDIV), ALPS Alerian MLP ETF (AMLP) or the Utilities Select Sector SPDR ETF (XLU).

I haven't made up my mind but with T declaring their dividend of $0.52 per share, which goes ex-dividend on 4/8/21, I may be inclined to add a share or two before their next ex-dividend date. Eventually, this account will own all of the companies I am interested in and luckily there are many investment choices.

Conclusion

So far, everything is going well in the portfolio. I have generated a positive return, my dividend income is increasing and in April the dividends start rolling in on a monthly and semi-weekly basis. Thank you for reading this series and please comment and post any suggestions you may have. If you have read my other articles then you know I am a huge fan of dividends. Hopefully, this series sparks some investment ideas and more people get excited about harnessing the power of dividends.

This article was written by

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I am focused on growth and dividend income. My personal strategy revolves around setting myself up for an e...
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Disclosure: I am/we are long MO, T, STWD, OHI, SO, AGNC, KO, STAG, ENB. I wrote this article myself, and it expresses my own opinions. I am not receiving compensation for it (other than from Seeking Alpha). I have no business relationship with any company whose stock is mentioned in this article.

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