Seeking Alpha α

Dividend Strategy

Dividend Harvesting: Building The Portfolio Brick By Brick On $100 A Week, Week 3 Update

Mar. 25, 2021 9:00 AM ET | ENB, KO | 81 Comments | 44 Likes

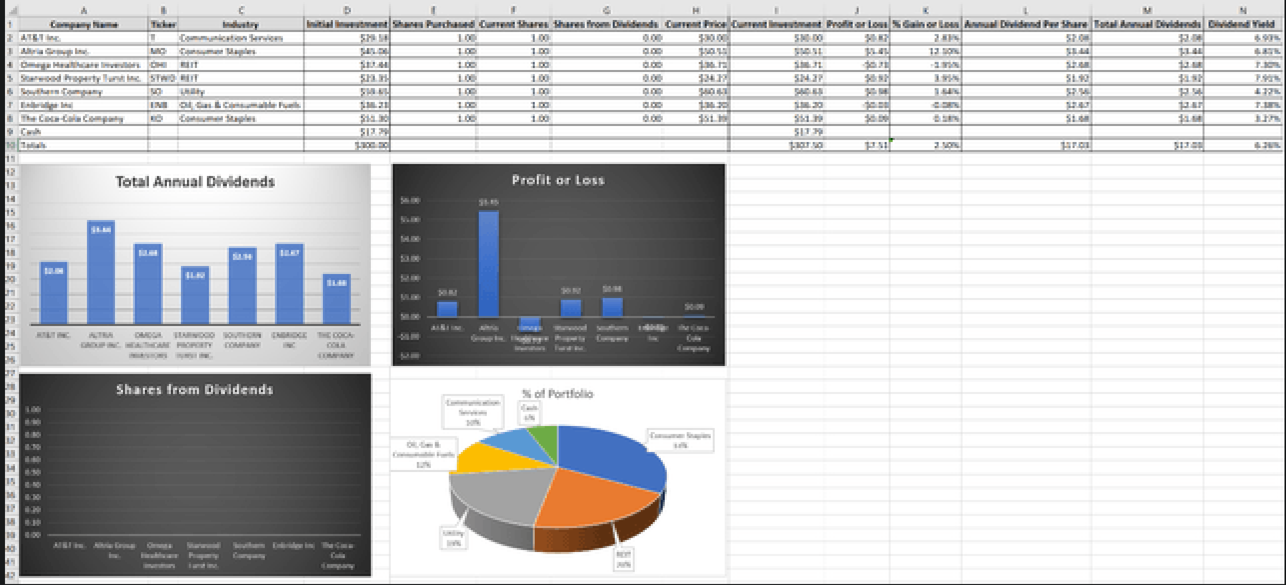
Summary

- In week 3 of the $100 a week dividend portfolio, I purchased 1 share of Enbridge and 1 share of The Coca-Cola Company.
- The portfolio is now spread across 7 companies and is generating $17.03 in annual dividends prior to compounding.
- One of my goals of generating monthly dividend income has been achieved while organically generating dividends in 13 weeks (25%) out of the year.
- In April, Altria and Starwood will be paying my first dividends in this portfolio which will be reinvested.

Photo by Nastco/iStock via Getty Images

It's been three weeks and I have funded this account with $300. I have invested $282.20 across 7 stocks which generate $17.03 or 6.26% in dividends on an annual basis prior to compounding. In week 3, I purchased 1 share of Enbridge (ENB) and 1 share of The Coca-Cola Company (KO). My cash reserve is slowly increasing as it has reached $17.79. As I indicated in the first article, I am not concerned with fluctuations in the market for this portfolio as it has a long-term time horizon.

My biggest surprise is how much Altria Group (MO) has appreciated. I have been accumulating MO in another account and outlined my thesis for the investment in this article. MO was a week 1 purchase for this portfolio at $45.06 and it has appreciated by 12.10% to $50.51. I still believe MO is undervalued, and with their ex-dividend date coming in a few days, I may add another share to capitalize on the upcoming dividend. I am looking forward to April as my monthly dividends will start rolling in and the reinvesting will begin.



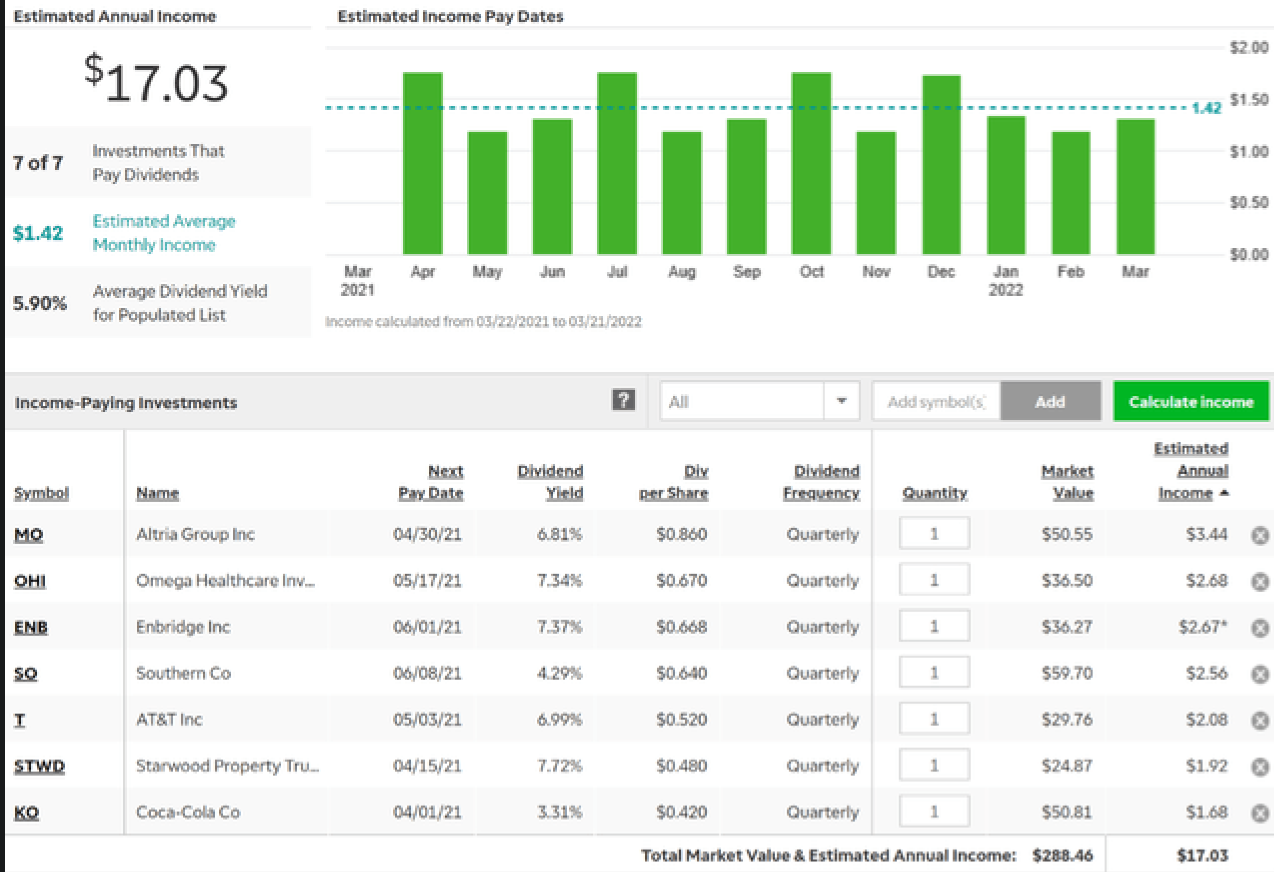
	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	Company Name	Ticker	Industry	Initial Investment	Shares Purchased	Current Shares	Shares from Dividends	Current Price	Current Investment	Profit or Loss	% Gain or Loss	Annual Dividend Per Share	Total Annual Dividends	Dividend Yield
2	AT&T Inc.	T	Communication Services	$29.18	1.00	1.00	0.00	$30.00	$30.00	$0.82	2.83%	$2.08	$2.08	6.93%
3	Altria Group Inc.	MO	Consumer Staples	$45.06	1.00	1.00	0.00	$50.51	$50.51	$5.45	12.10%	$3.44	$3.44	6.81%
4	Omega Healthcare Investors	OHI	REIT	$37.44	1.00	1.00	0.00	$36.72	$36.71	-$0.73	-1.95%	$2.68	$2.68	7.30%
5	Starwood Property Turst Inc.	STWD	REIT	$23.35	1.00	1.00	0.00	$24.27	$24.27	$0.92	3.95%	$1.92	$1.92	7.91%
6	Southern Company	SO	Utility	$59.65	1.00	1.00	0.00	$60.63	$60.63	$0.98	1.64%	$2.56	$2.56	4.22%
7	Enbridge Inc	ENB	Oil, Gas & Consumable Fuels	$36.23	1.00	1.00	0.00	$36.20	$36.20	-$0.03	-0.08%	$2.67	$2.67	7.38%
8	The Coca-Cola Company	KO	Consumer Staples	$51.30	1.00	1.00	0.00	$51.39	$51.39	$0.09	0.18%	$1.68	$1.68	3.27%
9	Cash			$17.79					$17.79					
10	Totals			$300.00					$307.50	$7.51	2.50%	$17.03	$17.03	6.26%

(Source: Steven Fiorillo)

A look inside the portfolio

After 7 investments, I am starting to form a diversified portfolio. Consumer Staples makes up 33% of the portfolio then 20% is allocated to REITS and 19% to the utility space. Currently, MO has been on a run as it's appreciated 13.64% since adding them in the week 1 allocations. Starwood Property Trust (STWD) is up just over 5% and AT&T (T) is up over 3%. Overall the portfolio is valued at $309.08 for an overall profit of $9.08 (3.03%). Through my investment in ENB I added oil, gas & consumable fuels as a new sector to the portfolio adding further diversity. Over time I plan on adding to my current positions, adding some ETF's and diversifying further into different sectors.

In week 2, I had 5 investments producing $12.68 in annual dividends with an average monthly income of $1.06. After week 3 my additions of KO and ENB increased my annual dividends by $4.35 (34.31%) to $17.03 and my monthly average income jumped by $0.36 (33.96%). Starting in April, I will be generating monthly income from these investments as STWD goes ex-dividend on 3/30/21 and pays its dividend on 4/15/21 while MO goes ex-dividend on 3/24/21 and pays the dividend out on 4/30/21. Even though the dividends are currently small the combination of reinvesting and adding to current and future positions will increase my monthly dividend 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	6.81%	$0.860	Quarterly	1	$50.55	$3.44
OHI	Omega Healthcare Inv...	05/17/21	7.34%	$0.670	Quarterly	1	$36.50	$2.68
ENB	Enbridge Inc	06/01/21	7.37%	$0.668	Quarterly	1	$36.27	$2.67*
SO	Southern Co	06/08/21	4.29%	$0.640	Quarterly	1	$59.70	$2.56
T	AT&T Inc	05/03/21	6.99%	$0.520	Quarterly	1	$29.76	$2.08
STWD	Starwood Property Tru...	04/15/21	7.72%	$0.480	Quarterly	1	$24.87	$1.92
KO	Coca-Cola Co	04/01/21	3.31%	$0.420	Quarterly	1	$50.81	$1.68
						Total Market Value & Estimated Annual Income:	$288.46	$17.03

(Source: Steven Fiorillo)

By adding ENB and KO to this portfolio, I gained an additional 4 weeks of dividend coverage. Outlined in the chart below I am now generating dividend income across 13 (25%) weeks of the year. Weekly dividend income is something I am tracking but it is not part of the investment decision process. I am looking to organically increase the amount of weeks which generate dividend income as additional investments are made. Eventually, I plan on reaching at least 50 weeks of dividend income as a byproduct of this style of investing.

Weekly Projected Dividends For 2021						
2021 Q1						
Month	**January**		**February**		**March**	
Week 1	3rd to 9th		7th to 13th		7th to 13th	
Week 2	10th to 16th	STWD / MO	14th to 20th		14th to 20th	
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		2nd to 8th		6th to 12th	
Week 2	11th to 17th	STWD	9th to 15th		13th to 19th	
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	1st to 7th	AT&T	5th to 11th	
Week 2	11th to 17th	STWD	8th to 14th		12th to 18th	
Week 3	18th to 24th		15th 21st		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		7th to 13th		5th to 11th	
Week 2	10th to 16th	STWD / MO	14th to 20th		12th to 18th	KO / ENB
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				

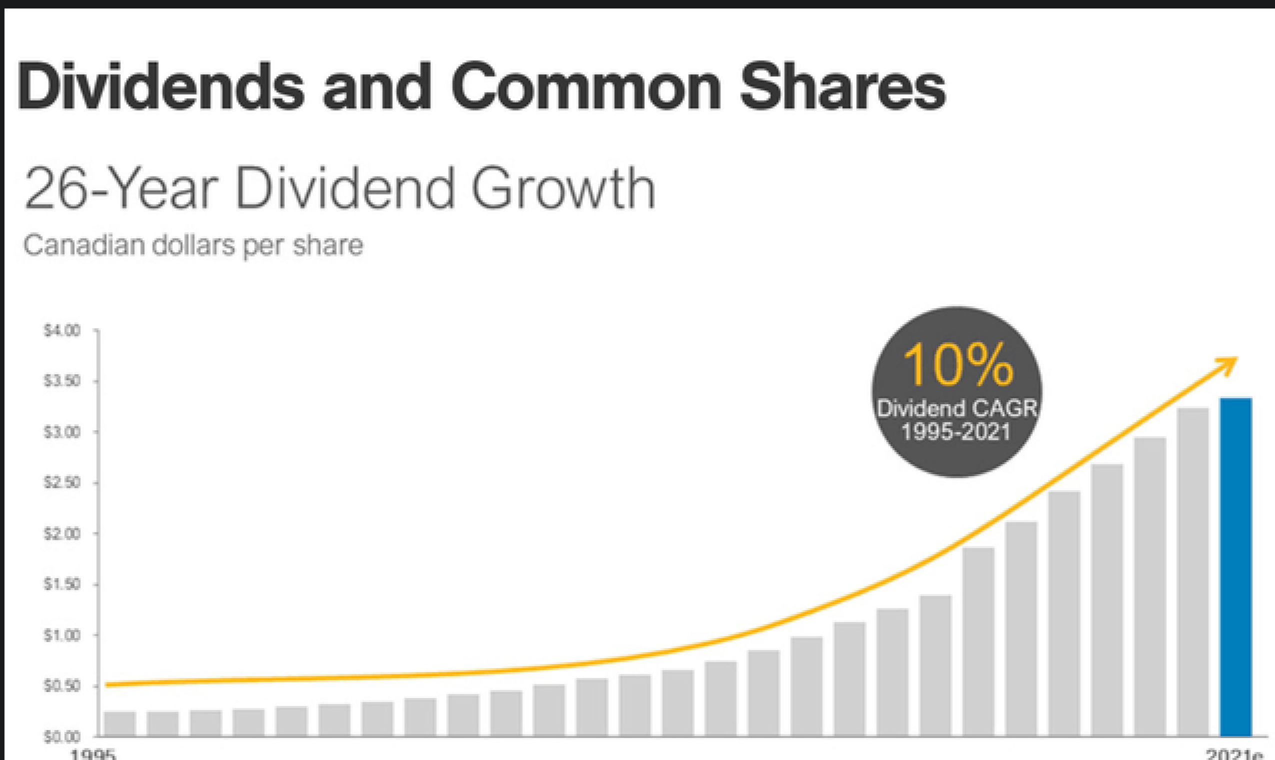
(Source: Steven Fiorillo)

Why I added Enbridge and The Coca-Cola Company

My week 3 additions consist of ENB and KO. I recently wrote an article on ENB outlining why I believe it's a solid investment. ENB is a unique energy infrastructure company as it operates 3 core businesses which include liquids pipelines, natural gas pipelines and utilities & power. Energy was one of the hardest-hit sectors during COVID but recently energy companies have started to rebound. As long as fossil fuels are needed, energy infrastructure companies will remain relevant.

ENB transports 25% of the crude oil produced in North America and 20% of the natural gas consumed in the United States. ENB is one of the most diverse in the sector as they operate North America's largest natural gas utility by volume and the third largest by customer count. ENB has also invested almost $8 billion in its renewable projects. ENB has interests in 22 wind farms, 7 solar farms, 1 geothermal project and 1 hydroelectric facility.

From a dividend perspective, ENB was a must-add for me. ENB has paid dividends to shareholders for more than 66 years. ENB has increased its dividend sequentially over the past 26 years at an average compound annual growth rate of 10% since 1995. ENB has been adamant that their dividend increases are not sacrificing financial stability as their payout ratio will remain between 60-70% of their distributable cash flow. ENB is currently yielding over 7% and has a long history of dividend growth. I believe the sector will continue to rebound and this investment will provide share appreciation, dividend growth and large quarterly dividends I can compound through reinvesting.



Enbridge common shares have a Compound Annual Growth Rate (CAGR) of 10% over the last 26 years.

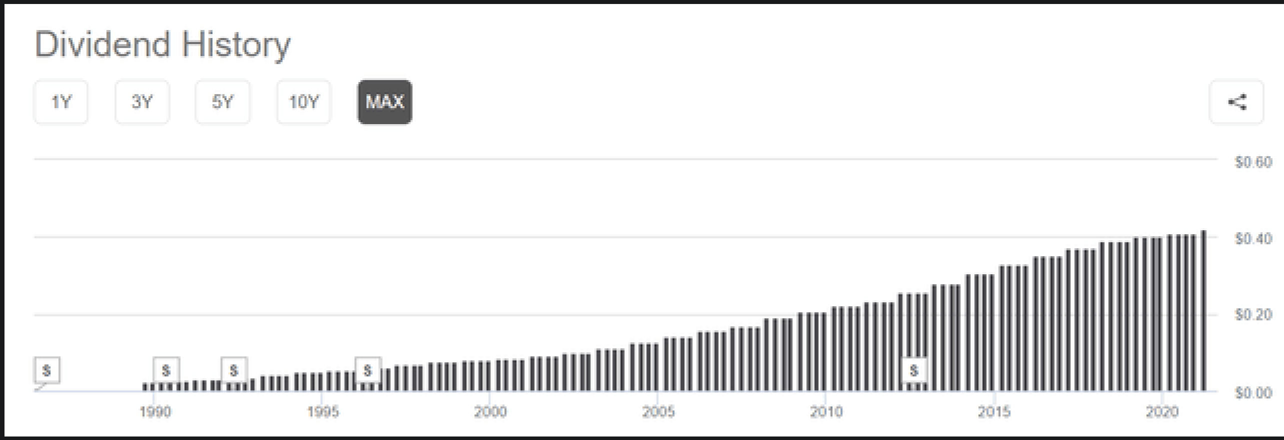
(Source: Enbridge)

KO was founded in 1892 and has become one of the most recognizable global companies as its products are sold in more than 200 countries and territories. KO has stood the test of time and expanded their global footprint through every world event over the past century. It's hard to imagine a world without KO's products.

KO generates a ton of cash as in 2020 free cash flow increased by 3% to $8.7 billion. KO has projected that in 2021 organic revenue growth will increase in the high-single digits and free cash flow will be at least $8.5 billion. This is music to my ears as KO will still generate more than enough cash to invest in its business while rewarding shareholders through dividends.

Out of all the companies that pay a dividend KO has one of the most robust histories. KO implemented a quarterly dividend in 1920 and has not missed a dividend payment since. KO is one of 31 companies that are part of the distinguished Dividend King club where a company has increased its dividend for 50 or more years consecutively.

KO's dividend yield is 3.31% as it pays out $1.68 per share on an annual basis in dividends. In addition to a century of continuous dividends KO has provided shareholders with 58 years of consecutive dividend growth with a 5-year growth rate of 4.25%. In KO's latest presentation management reaffirmed its commitment to continue KO's dividend growth as a function of free cash flow.



(Source: Seeking Alpha)

ENB has been crowned a Dividend Aristocrat while KO holds the title of Dividend King. These additions bring a combined 150+ years of dividends and 84 years of dividend increases to the portfolio. Both companies are dedicated to continuing its dividend growth through annual increases providing the portfolio with stable dividend growth and payments. KO added diversity in the consumer staple category as they added exposure to the beverage market. ENB added a completely new business segment to my $100 a week portfolio as oil, gas and consumable fuels is now part of my allocations. Together ENB & KO increased my annual dividends by $4.35 (34.31%) to $17.03 prior to compounding.

Stocks which are high on my watchlist for week 4

There are a lot of great companies that I plan on adding to the portfolio over time and my watch list has roughly 70 companies on it. Currently, I have had my eye on AbbVie Inc. (ABBV), Pfizer Inc. (PFE), and STAG Industrial Inc. (STAG). ABBV currently pays a dividend of $5.20 which is a 5.03% yield. They have a 41.84% payout ratio with 8 years of consecutive growth and an 18.09% 5-year dividend growth rate. PFE pays a $1.56 dividend which yields 4.39% and has a 46.72% payout ratio.

PFE has increased its dividend for 11 consecutive years while having a 5-year growth rate of 6.35%. Unlike most companies, STAG pays a monthly dividend which is a compounding dream and the dividend yields 4.33% as it pays $1.45. STAG has grown the dividend for 2 consecutive years and has a payout ratio of 73.63%.

As much as I want to buy a lot of different companies and not become concentrated in one specific name, MO is still very attractive to me. MO's dividend yields right around 7% with a payout ratio of 75.16%. MO is interesting as their revenue and gross profit continue to increase while their dividend continues to grow. I don't mind cost averaging up and enjoying the benefit of more income being generated. There is a good chance with the ex-dividend date approaching I will add to my MO position while adding a new company to the portfolio.

Conclusion

I am very happy to write this series for everyone and document this portfolio. The feedback has been great and I am enjoying this process. Please keep commenting on what you think of my selections, companies I should keep an eye on and any thoughts you may have.

One of the most asked questions is how I am tracking everything and if you look at the picture I inserted under the opening, I created an Excel spreadsheet with a bunch of tables dedicated to specific metrics. Once the dividends start rolling in, I will be discussing how they are impacting the portfolio and documenting the growth along the way. Good luck in accomplishing your investing goals and thanks for reading.

This article was written by

Steven Fiorillo Following

11.97K Followers

I am focused on growth and dividend income. My personal strategy revolves around setting myself up for an e...
more

Disclosure: I am/we are long MO, ENB, KO, STWD, T, OHI, SO. 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.

Additional disclosure: Disclaimer: I am not an investment advisor or professional. This article is my own personal opinion and is not meant to be a recommendation of the purchase or sale of stock. Investors should conduct their own research before investing to see if the companies discussed in this article fits into their portfolio parameters