

Taking Stock: Don't monkey around with Gorilla Trade

by Malcolm_Berko

Dear Mr. Berko: My 69-year-old mother is moderately comfortable and has enough pension, Social Security and Individual Retirement Account income to meet all her living costs. Mom has \$83,000 in certificates of deposit and would like to be aggressive with about \$50,000. She wants growth as well as income and would like to earn between 5.5 percent and 6 percent on this money. At the same time, she would like to have annual appreciation of about 5 percent for a total return of 11 percent or better, which is just what the Standard & Poor's 500 has averaged over the past 50 years. A broker we know believes he can do much better than this and thinks he can generate annual capital gains of about 75 percent to 100 percent or more using special stocks from a program he bought called Gorilla Trade. We're thinking of going 50 percent with the broker who has Gorilla Trade and 50 percent in dividend issues. Please give us your stock recommendations and thoughts on Gorilla Trade.

R.T.

Oklahoma City

Dear R.T.: I think Gorilla Trade is a fantastic medium if you are a large ape that likes to eat big bananas. But if this lad thinks he can make 50 percent to 100 percent a year, let him prove it to someone else.

While this broker is certain he can generate capital gains of 50 percent to 100 percent a year, I am certain that I lack that skill. I prefer to use power of dividends to generate long-term principal growth and my goal is to average 8 percent to 12 percent annually over a 10- to dozen-year time frame. It's slower and too conservative for many investors, but it's safer and certainly more dependable.

I think your mom would prefer safety and dependability. So here are 10 issues that will provide dividend income of 6 percent and possibly some modest revenue growth between 0 percent and 6 percent for the next several dozen months:

- Let's begin with Pearson PLC (PSO-\$15.81), which publishes the Financial Times (London), various business newspapers, magazines and provides financial and market data, analytics and related information to traders, institutions and the public. Established in 1884, this \$8.2 billion publisher (educational texts and consumer books) has a 57-cent dividend and yields 3.6 percent.

- Packaging Corp. of America (PKG-\$30.03) produces container board and corrugated packing products used in shipping containers, colored merchandise boxes (shoes, gloves, food products, etc.), wax coated boxes, meat boxes etc. This \$2.3 billion revenue company, founded in 1877 pays a \$1 dividend and yields 3.3

percent.

- Vodophone Group PLC (VOD-\$37.90) is a mobile telephone communications company serving 171 million customers in Europe, the Middle East, Africa, Asia-Pacific and the U.S. Headquartered in the United Kingdom, this \$62 billion revenue company pays a dividend of \$1.74 and carries a 4.5 percent yield.

- Allied Capital Corp. (ALD-\$24.06) is a \$450 million business development firm specializing in buy-outs, acquisitions, recapitalizations and debt financing. The \$2.60 dividend yields 10.8 percent.

- General Electric Co. (GE-\$38.58) has its finger in just about everything - from neonatal care to cable TV, mortgages, jet engines, credit cards, appliances, plastics, leasing, etc. This \$163 billion company has a \$1.12 dividend yielding 2.9 percent.

- UST (UST-\$53.25) is a \$1.8 billion revenue company that markets smokeless tobacco products (Skoal, Copenhagen, Red Seal) and wines (Chateau St. Michelle, Villa Mount Eden, Domaine St. Michelle). Founded in 1822, the \$2.40 dividend yields 4.4 percent.

- Pfizer (PFE-\$23.13) founded in 1849 is one of the largest drug companies in the world with \$49 billion in revenues and the \$1.16 dividend yields 5 percent.

- Enterprise Products Partners LP (EPD-\$31.90) is a \$14 billion revenue company providing a host of services to producers and consumers of natural gas, natural gas liquids, crude oil and petrochemicals. Owning 13,000 miles of pipeline and related storage facilities, the \$1.93 dividend yields 6.1 percent.

Provident Energy Trust (PVX-\$12.94) engages in the exploration, development and production of crude oil and natural gas in Canada and Western U.S. This \$2.1 billion revenue company has a \$1.36 dividend that is yielding 10.5 percent.

Primewest Energy Trust (PWI-\$28.06) explores, acquires, produces and markets oil and natural gas in Canada. This \$521 million revenue company has a \$2.76 dividend yielding 9.8 percent.

Now invest \$5,000 in each of these issues (in most cases you will have odd lots like 125 shares of GE or 150 shares of Vodophone) and your mother will earn 6 percent on this portfolio. Some will go down, some will move higher while others may just waffle about and show no changes at all. It's mildly aggressive, but you will be to get a 6 percent dividend payout while you wait for capital gains.

Please address your financial questions to Malcolm Berko, P.O. Box 1416, Boca Raton, FL 33429 or e-mail him at malber@comcast.net.

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