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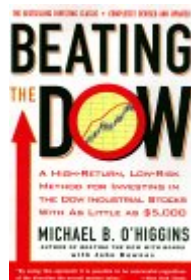
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Beating The Dow: A High-Return, Low-Risk Method For Investing In The Dow Jones Industrial Stocks With As Little As \$5000

by Michael O'Higgins with John Downes

Beating The Dow by Michael O'Higgins offers the following simple investment strategy. You simply buy the ten highest dividend paying stocks among the Dow Industrial Averages. The Philosophy is that as the value of the stocks increase, via stock price lagging or falling below the market, the dividend yield will tend to rise.

While we tend to be skeptical of any investment strategy that is too simple, if you must use such a simple strategy, then you could do far worse selecting the highest dividend paying stocks from the Dow. Of course, the other option is just to index your money in a mutual fund that buys the entire stock market. Vanguard Funds is the leader in such index funds.

The difficulty with simple investment strategies is that they tend to be arrived at via data mining. The proponent of the investment method asks "What worked in the past?" and then tries to draw up a canned investment method. Almost always, the proposed method then starts to lag behind in the present and future stock market performance. This is not due to market efficiency or that the method is becoming well known. It just means that the method wasn't entirely valid as a *predictive* method.

There is the old joke about the "X investment strategy." When a computer was asked to vigorously evaluate the stock market and look for predictors of future investment success, the computer spit back the answer, "Invest in stocks whose name begins with an 'X' and whose name ends with an 'X.'" Xerox was the top performing stock over the period.

Beating The Dow is one of those books, if read all by itself, might mislead a new investor into an over-simplified investment strategy. Yet, you might enjoy reading it. And, as stated, you could do worse than holding the ten highest dividend-paying Dow stocks.

Beating The Dow also mentions what Michael O'Higgins calls the "Penultimate Profit Prospect (PPP)" which involves buying just one stock. The Stock with the second lowest price among the ten highest yielding stocks. We consider that *Penidiotic*. We conservative investors do love our stock dividends, and the focus on dividend yield gets *Beating The Dow* a solid honorable mention.



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