

	June	1st Qtr	2nd Qtr	YTD		June	1st Qtr	2nd Qtr	YTD
<b>Dow Jones Indus</b>	-3.6%	4.1%	-10.0%	-6.3%	<b>MSCI EAFE</b>	-1.2%	0.2%	-14.9%	-14.7%
<b>S&amp;P 500</b>	-5.4%	4.1%	-11.9%	-7.6%	<b>MSCI Emerg Mkts</b>	0.9%	2.1%	-9.1%	-7.2%

**A THOUGHT EXERCISE** We thought it might be refreshing to get away from the usual, "...the market did this" (see above) and "...the market is going to do that," (see below) and take a different view of investing. Nassim Taleb, the author of *Fooled by Randomness*, calls this a "thought exercise".

We are not suggesting an investment strategy, nor do we want to overstate the value of dividends. Some dividend yields may be high because a company's business prospects are poor, and an attractive dividend seldom makes up for a declining stock price. Ford and GM, for example, once offered generous dividends. The stocks mentioned below just sprung to mind and do not represent careful research, thought or consideration, nor do they represent an investment recommendation.

That said, our thought exercise is: How much Time Warner Cable stock would one would need to own for its dividend yield to pay a bundled cable/internet/phone bill? For a little diversification we will throw in Cablevision. Their average dividend yield is 2.5%, and the bill is \$150 per month. A \$72,000 investment split between these two companies produces enough dividend income to pay the bill.

That was so much fun, let us next look at paying for our gasoline. We will assume two cars, 12,500 miles each annually, 20 miles per gallon and regular unleaded at \$2.85. (Those are many assumptions, demonstrating why it is so hard to plan and predict the future.) Equal investments totaling \$126,500 in Exxon Mobil, Chevron, Valero Energy and Marathon will pay the \$3,438 annual fuel cost.

Your \$120 monthly natural gas bill would require \$32,335 invested equally among NiSource, Integrys Energy and Chesapeake Energy. Pay your \$70 cell phone bill with \$12,766 split between Verizon Communications and AT&T. Split \$17,084 among First Energy, DTE Energy, TECO Energy, Consolidated Edison and SCANA Corp and pay your \$75 per month electric bill. An \$32,885 investment in Pfizer, Bristol Myers, Eli Lilly and Teva Pharmaceuticals pays \$100 in monthly pharmaceutical bills.

Of course, one must bear in mind dividends may be raised, reduced or eliminated. What about taxes on dividends? For simplicity's sake, we could assume that our investments' price appreciation would cover the taxes, but lately seems like a big assumption. We could build in the expected, future 20% dividend tax rate and increase our investment:

	<b>Annual Expense:</b>	<b>Assuming growth pays the taxes:</b>	<b>Assuming 20% tax rate:</b>
Cable/Internet/Phone Bundle	\$1,800	\$72,000	\$90,000
Gasoline	\$3,438	\$126,495	\$158,100
Natural Gas	\$1,440	\$32,335	\$40,400
Cell Phone	\$840	\$12,766	\$15,950
Electric Bill	\$900	\$17,084	\$21,350
Pharmaceuticals	\$1,200	\$32,885	\$41,100
<b>Total required investment</b>		<b>\$293,566</b>	<b>\$366,900</b>

What did we learn from this thought exercise? Compared to other recurring costs, our cable and gasoline expenditures are probably too high. It is conceivable that a \$366,900 investment in dividend-paying stocks could cover one's monthly bills, and maybe even grow in value, but a simpler solution would be to learn to live without bundled cable/internet/phone, and buy a hybrid car.

**Bears on Parade** A *Bloomberg Businessweek* June 20, 2010 article "Grrrrr! What we can learn from the endless pessimism of Wall Street's biggest bears" featured the thoughts of Nouriel Roubini, a.k.a. "Dr. Doom," Nassim Taleb, Jeremy Grantham and James Grant. The last two were the least bearish of the group, and to us the most interesting was James Grant, who noted: "I am a skeptic who is trying to be less the prisoner of his own neurological makeup. There is a well-documented tendency for steep ugly recessions to give rise not to weak profitless recoveries, but to strong ones." The article goes on, "Based on that, Grant believes the rebound from this recession will be job rich and strong."

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