THOUGHTS FROM THE FRONTLINE

What's in Your Portfolio Wallet?

By John Mauldin | August 08, 2026

Profit from the Profit
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Philly, NYC, Cleveland, Washington DC, Austin and Secret Missions

I've been thinking a lot about my own portfolio construction for the past five years. It was admittedly complex. It was a combination of various alternative funds and private placements, with a few stocks thrown in. Not something that I think anybody should try to duplicate.

I was, and still am, concerned about the potential for a serious generational crisis later this decade, one that could have a profound impact on all markets. That concern became more personal after the events of 2020 and my realization that my portfolio was far too complex for my younger wife, Shane, or even a trustee, to handle if something were to happen to me. While alternative investments and private placements have a place, they have to be monitored continually, and that is no easy task.

I have had the luxury of being David Bahnsen's close friend for 15 years. We met on a Fast Money set in 2011 and I was impressed with him. Afterward I introduce myself and casually said, "I recognize the name Bahnsen. I published books by a theologian named Greg Bahnsen." David replied that Greg was his father. We begin regularly corresponding and meeting for what became regular epic dinners with a few friends. (I think he was just happy to find somebody that knew what presuppositionalism is.)

He wrote a book on dividend investing which was a bestseller. While I bought the book when it came out, I began to read it later in 2020. It forced me to rethink my views as to how to get through the coming crisis and how to increase the odds that I could get through with my portfolio intact. **And even more importantly, how to be sure Shane (my wife) had someone to make sure she was taken care of. The worst thing I could do was to pass on a complex portfolio to her with no one to monitor and make sure it stayed up to date.**

As long-term readers know, a few years ago I decided to shift my portfolio management to The Bahnsen Group, to essentially a portfolio of dividend growth and alternative investments, plus a few other strategies they manage.

David has just finished a major rewrite of his book on dividend investing called *Profit from the Profit: The Past, Present & Future of Dividend Growth Investing.* There has been an enormous amount of research in the last eight years confirming the power of dividend growth investing, and David shares that with us in his very readable and brilliant style.

David asked me to write the forward and I did. The book is available later this month. At the end of the letter I will tell you how to get your own copy and how smaller investors can invest in their dividend growth strategy through an ETF.

This weekend I am with my son Trey and a few friends so I asked David if he would give us a little flavor from the book. This is worth your five-minute read.

Dividend growth investing is not merely a strategy for equity investors—it is a philosophy of ownership and a mentality. At its core, it brings to minority ownership of public equities the same business attitude that majority ownership of a private business involves: Profit is paramount, and those profits belong to the risk-takers who own the business.

So without further ado, let's hear from David.

Profit from the Profit

By David Bahnsen

I became a dividend growth investor in the aftermath of the 2000-2002 bear market. It was not as if my first bear market as a professional investor scared me into dividend growth investing (not exactly); it was that some of my assumptions about investing were called into question in the aftermath of that particular bear market. I believed then, rightly, that long-term exposure to equities had been a winning play for most investors. I still believe that today. But what "long-term" meant, what "exposure to equities" meant, and what the interplay of this with investors needing to withdraw capital meant, all required more study. So study I did. A few years later the Global Financial Crisis would do far more damage to financial markets and the U.S. economy than the tech crash of 2000 did, and yet the things I cared most about as a wealth advisor were validated.

What are these "things I care most about as a wealth advisor" that were validated in the financial crisis? More than anything else, I care that client goals are successfully achieved. We run an outcomes-based planning firm, and if a client has an accumulation goal or a withdrawal goal – the kinds of goals that are practical, tangible, and measurable – I care to not fail in the achievement of those goals. I learned from the 2000-2002 crisis that many investors could achieve the long-term returns of equities, but not achieve their goals, based on withdrawal needs and their interplay with sequence of returns risk. The recovery of market indices over time after bad bear markets were not helpful where investors had dramatically drawn down their principal *while withdrawing for cash flow needs.* This dynamic of negative compounding was real, it was not *that* rare of an outcome, and whether or not I wanted to predict that it would happen again, *it had just happened, and therefore I had intellectual, empirical, and practical reasons to counter it in the strategies we enacted for clients.*

The other "thing I cared most about" besides achieving successful outcomes for clients was maintaining peace of mind for clients as much as it depended on me. A global financial crisis is not a great time to maintain peace of mind – especially when the anxieties go far beyond stock market returns. 2008's anxieties covered the complete implosion of the U.S. housing market bubble (a bubble of irrational insanity that far too many people have forgotten), the existential state of our entire financial system (banks, brokerages, insurance companies), and the very job and wages that tens of millions of Americans relied on. It was as exhaustive of a debacle as one can imagine, and the only way to "maintain peace of mind" during a period of so many fat-tail risk events would be to (a) Communicate thoroughly and empathetically, (b) Deliver on promises, and (c) Communicate thoroughly about your delivery of promises. And if one of your promises was that "in a period of really bad market activity – a brutal bear market – we will not have to take a paycut" – it pays to deliver on the promise when markets are down over 50%, unemployment is over 10%, and house prices are down 40%.

The financial crisis of 2008 was a career-defining moment for me, but that is not to say it was fun. I was paid for 18 months to take on the anxiety of a couple hundred clients, and I did my job. I'd do it again. But it was emotionally grueling. It was psychologically challenging. And it was financially stressful. I had two babies at home and a brand-new house, and I was a Managing Director at a Wall Street firm whose stock had dropped 87% since I arrived. And we were doing better than our competitors!

Yet I believe "the things I care about most" were validated in this period because of dividend growth investing. Now, the "right investment philosophy" is not sufficient for the wealth advisory profession. It is necessary, but it is not sufficient. I happen to believe we coupled the right investment approach to the behavioral dynamics that really matter – massive communication, empathy, planning, hand-holding, and ledge-talking – but in total, they represented the value proposition we were paid for. I believe it was money well-spent by our clients.

From 2000-2009 the S&P 500 was dead flat – a lost decade bookended by two brutal bear markets. A dividend growth investor came out of that decade having had their cash flow needs fully sustained, and with their principal more than just “intact.” They survived and even thrived. *This does not mean the 2008 crisis did not see their portfolio values draw down.* But they had a positive cash flow they could withdraw from without impeding the corpus of their portfolio. I know of no other portfolio strategy that could say the same. And depending on the allocation to alternatives, and of course the selection of alternatives that went therewith, the magnitude of the drawdown should have been a fraction of the market’s drawdown. But regardless, the key takeaway I adopted post-2000 and pre-2008 was that withdrawing the fruit of a tree and not the tree itself made me far, far, far more insulated from the fluctuations in price that inevitably happen to the tree, itself.

And so we – and by we, I mean the clients of The Bahnsen Group – survived 2008. The philosophy proved more than just theoretical. It worked when it mattered most. We did not have a client have to take a paycut. The portfolio created more income in 2007 than 2006, more in 2008 than 2007, more in 2009 than 2008, etc. Dividend growth, well, grew, even as stock prices around the globe got pummeled. The Dow 30 had 28 stocks drop in 2008, but the two – the only two – that were up, McDonalds and Wal-Mart, were two of our biggest exposures (up +8.5% and +20%, respectively). Many great dividend growth names were down that year (Procter & Gamble, Exxon Mobil, Johnson & Johnson), but their dividends were not down. In fact, they grew. They grew as they had every year for decades before and for nearly two decades since.

I bring up 2000-2002 and even the 2008 crisis because as a professional investor I cannot make it through a single day right now without people asking me, “are we in an AI bubble?” – “do we face a repeat of the tech crash?” – “is the AI risk systemic the way housing risks were in 2008?” There is so much rhyming in history that these questions are perfectly logical. I happen to be a generally optimistic person (informed by history, as I am), but no matter what one’s sociological temperament is, there are plenty of reasons to worry about market rationality, about investor excess, about the potential of malinvestment in one area of the economy that may very well experience a “purge” in the years to come. It seems that some are wise to wonder if there is a reason to “check in” on risk exposures.

Michael Burry recently pointed out that the S&P 500’s real total return was +12.09% per annum the last fifteen years. In that period, the dividend contribution was 1.76% per year. This is so low that it places it in the bottom 1st percentile across 145 years of every single possible 15-year window. Never before has the S&P returned so much with its dividend contributing so little.

Index investors should be petrified.

Some say that "stock buybacks" make up the difference and the low dividend yield is apples-to-oranges in considering the higher dividend yield of history. This is mathematically and factually untrue. Paying Restricted Stock Units to employees (which is what you ought to be calling stock buybacks) is not an alternative way of generating shareholder yield – it is a decision to replace a payment to an investor/owner with a payment to an employee. Those payments to employees are not counted against earnings and not in a free cash flow calculation. Voila.

We have a massive generation of investors – trillions of dollars worth – that began their investing life well after the lost decade of 2000-2009. They have lived well off of a 1% dividend yield in the S&P. They have seen the 20%+ CAGR's of FAANG, Mag7, and whatever other alphabet soup concept you want to include, but they have not seen a bear market, a multi-year drawdown, or any kind of re-pricing worthy of mention. They have seen multiple expansion, and even organic earnings growth, but not a real recession, a real contraction, or a real market consolidation. And I believe that some of the great weapons investors have historically had to counter some of these events – a lower market beta, a higher dividend yield, less reliance on multiple expansion, less levered balance sheets, etc. are all available for investors. They are available inside the magic of a well-constructed dividend growth portfolio.

"But what about the good years?" Fair question. Does a dividend growth investor have to sacrifice the needed upside of the good years (think 2009-2025) in order to enjoy a more defensive portfolio in the bad years? I would say two things to this: (1) No, and (2) Do you believe the outcome of 2009-2025 is the most likely outcome in markets in the years ahead? Put differently, not only do I believe it is almost incomprehensible that market indices will compound at another 15% for the next 15 years (starting at 22x instead of 13x, well, changes the math), but I also believe that the internal dividend growth of the *last fifteen years* has been magical! That companies like Blackstone, JP Morgan, and McDonalds are now paying 20-30% yields on the original investment investors made fifteen years ago (and still climbing) ought to create a line of people signing up for such. And unlike the index world of multiple expansion, this continued growth of dividend is not cyclical – it is not aspirational – it is the essence of the strategy, itself.

My new book, *Profit from the Profit: The Past, Present, and Future of Dividend Growth Investing,* lays out real life scenarios from the last 25 years to make the case for dividend growth investing as an antidote to the reality of market volatility. It argues against believing that a 1.5% dividend yield in the market index is acceptable. And most importantly – it makes the case that companies stewarding their resources towards the social contract of annual dividend growth – prove to be superior companies over time. It tackles the objections and red herrings some throw out (a dividend is just a company with less cash than it had before; stock buybacks are more tax-efficient; companies that pay out dividends don't know how to reinvest their own cash) – and in each case turns them on their head. Writing the book was the most fun I had debating since high school!

I have written in *Thoughts from the Frontline* before of my earnest belief in having a cogent *investment philosophy.* I stand behind that with every ounce of breath in my body. But what has to reinforce the things we philosophically believe *is the empirical demonstration of their efficacy.* The last 25+ years have done that for me with dividend growth investing. And truth be told, I think the next 25+ years will, even more!

-David Bahnsen

Creating Your Philosophical Investment Strategy

There is no one-size-fits-all individual investment strategy. We all have different needs. Once I decided I needed a portfolio that would work for today and take care of Shane if something happens to me, I started doing a lot of research. There are many great money managers out there. Philosophically and operationally, The Bahnsen Group fits our needs.

Choosing a wealth manager is not straightforward. The first thing you need to do is make sure that they are philosophically aligned with you and your needs and have a coherent, well-thought-out systematic approach that will do so.

I was able to do more due diligence than most because of my relationship and because I had time. I knew David's philosophy intimately. Fortunately, there are ways that you can get to that comfort level. Besides the book, there are podcasts, interviews and reports available as well.

I highly recommend you subscribe to his daily newsletter, Dividend Cafe, and especially his Friday commentary. Plus, he does a weekly podcast for The National Review called Capital Record. You see him on financial TV 4-7 times a week. He is regularly listed as one of America's top wealth managers by Barron's, Forbes and more. He is one of the most disciplined individuals I've ever met, both intellectually and in his daily personal life.

The Bahnsen Group will be glad to send you a copy of the new book (with my forward). Just ask to talk with one of their representatives, and they will make it happen. And they can send you other materials from them and me. You can get to know the man as he is very transparent. They now have 12 offices around the country and each of them are grounded in his philosophy.

If you want to buy the book, you can do so on Amazon here. It ships August 25.

While I don't want to lessen the thunder that that you will discover while reading this book, I became convinced that a dividend growth portfolio should be the core of my long-term investment strategy. Not an addition, but the core.

David is right. The companies that make up his dividend growth portfolio will still be around in 2035 and longer. Even though these are US companies, many of them make more than half their profits internationally, so it is a globally diversified portfolio.

And as David sometimes cheekily reminds me, what if there is no real crisis? What if we as a country decide to deal with our debt issues and resolve our current political contretemps? Even if a financial crisis as severe as 2008 or 2020 comes to pass, we can now see how a dividend growth portfolio fared in what were quite serious financial events. Just as they did in every past crisis. Just your basic Graham and Dodd value investing taken to its modern conclusion.

For those who are managing your own investments, there is an ETF run by The Bahnsen Group that mirrors his dividend strategy perfectly. It trades on the New York Stock Exchange and the ticker symbol is TBG.

(Full disclosure: I should note for new readers that my business model has always been a referral business, and right now The Bahnsen Group is the only group I work with. I don't see that changing. That being said, I get nothing from the ETF.)

Philly, NYC, Cleveland, Washington DC, Austin and Secret Missions

A month ago I didn't see many trips in my future. That has changed significantly. My son Trey and I are on a "secret mission" with friends and family. Interestingly, Trey now has his drone pilots license, and I will get to watch him in action. Sunday night I will find myself in Philadelphia where I will be meeting with Steve Blumenthal and other business associates, before flying back to Puerto Rico. A group of us are trying to arrange a trip to New York sooner rather than later. I will likely have to be in Washington DC in September and again in November and then Austin at some point soon.

On a less comfortable note, my daughter Abbi had what they thought was a stroke about two years ago, and they found a benign tumor in the center of her brain that was very small. Turns out it was her heart problem and she had open heart surgery within six months. She went back to her neurologist for her regular annual scan and the benign tumor has grown much faster than expected, and the Tulsa doctor said it's at a location in the middle of the brain that we can't deal with in Tulsa.

He said you need to go to a major medical center hospital like the Mayo Clinic. Because of my connection with Mike Roizen at the Cleveland Clinic, he sent her scans to their top neurologist, and she is scheduled to see him in mid-August. I just got a text where she asked me if I can come? Of course I will be there. The tumor still could be benign, and hopefully is, but since it is growing they have to deal with it as it could cause major issues sooner rather than later. The good news is we have the right people to see her.

And with that, I will hit the send button. You have a great week and remember how important family and friends are.

Your somewhat overwhelmed analyst,

John Mauldin
subscribers@mauldineconomics.com