

ALTERNATIVE SOURCES OF INCOME

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Today, you have more investment choices than ever before. Yet when looking for income, particularly for income that hedges against inflation, most investors tend to gravitate to U.S. Treasuries and [TIPS](#). While TIPS can provide inflation protection, I worry that those who rely solely on TIPS are doing themselves—and their portfolios—a disservice. Treasury yields are at historical lows. And when you consider inflation, they're actually providing negative real yields. Investors focusing on TIPS as their sole source of inflation-hedging income • may not be able to keep up with inflation in the short or long term; • are giving up the chance to grow their principal investment; • may not be diversified enough. Now, I'm not trying to knock TIPS—they're still considered one of the safest possible investments, and I understand why so many investors are drawn to them. I do, however, think that many investors should consider diversification into other income sources as well, and given that every investor faces his or her own unique situation, consulting a financial professional is worthwhile. Personally, I like dividend equities for a number of reasons. They • offer the potential to grow your income stream through dividend growth; • provide potential growth of principal through price appreciation; • have grown more than inflation over the long term;¹ • may offer more [downside protection](#) than their non-dividend-paying counterparts. Plus, unique weighting methodologies may help you magnify the effects dividends can have on performance. However, a key distinction between equities and TIPS is that TIPS have their payments of interest and principal guaranteed by the U.S. government. Equities carry no such guarantee, so values of dividend payments as well as the level of principal can fluctuate. For more information on dividend equities and how to get the most out of them, read the [Dividends of a Dividend Approach white paper](#). Find out more about the [WisdomTree approach](#) to dividends. ¹Source: <http://www.econ.yale.edu/~shiller/data.htm>

Important Risks Related to this Article

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