FRIDAY – AUGUST 21, 2026

Hello and welcome to the Friday Dividend Cafe. I am your host, David Bahnsen. I am very excited to be with you. I'm back in beautiful Southern California for a week, and I also am excited because my brand-new book, *Profit from the Profit: The Past, Present, and Future of Dividend Growth Investing*, comes out this coming Tuesday, and it's always exciting when you've poured a lot of work into a book to see it come to fruition.

But that's not really relevant to what I'm excited about in the Dividend Cafe. I, right now, am excited because I truly believe that the message of this book is the message, in one way or the other, that I am after every single week here in The Dividend Cafe. I recognize that some of you are newer subscribers, whether it's to the video or podcast or the written commentary that I do. And so I wanna rehash some history that many of you have heard before, so bear with me. I'm gonna do it quickly. But, you know, this was born out of the financial crisis. In September 2008, the very week in which Lehman and AIG and Merrill went down, and my then-employer was on the brink itself, Morgan Stanley, I began doing this commentary out of that moment and then just sorta never stopped. And so we did a kind of email blast weekly commentary every Friday all the way until we left Morgan Stanley and planted our flag as The Bahnsen Group under the ecosystem of HighTower Advisors at the beginning of 2015. And at that point, we branded this as Dividend Cafe. We created a website to incubate it, and we actually did the subscribe-unsubscribe function, and we eventually added a podcast not too long thereafter and a video and other things like that. But it was going on for years before then, basically to clients, and then just organically we would get people that would hear about it and request to be added to the email list, and we did that. And, of course, now it's really grown into something substantially bigger than I ever expected. And the burden of doing it every week has become the blessing of doing it every week. It is a labor-intensive endeavor, but it's one I truly love, and I am just very grateful. It's become a huge part of my entire adult life.

But when I say the message of the book, in *Profit from the Profit*, message about dividend growth investing, you might think, "Well, Dividend Cafe is going into sometimes what happened that week and what we think of the new Fed chair and election commentary and macroeconomic analysis and all that type of stuff." And that's very true, but it is still all going for the same thing, which is an investment philosophy adhered to and then an investment philosophy applied or executed. And dividend growth investing essentially represents the application of an investment philosophy, and that philosophy can best be summarized succinctly here right now.

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I wanna kinda restate it this way. I basically believe that there are individuals that we have a fiduciary responsibility to, that are coming to us looking for advice, looking for some financial tools or instrumentation that will produce goals and outcomes, successful achievement of goals and outcomes for them. And the financial instrumentation we're using is very consciously connected to the productive endeavors of mankind, and that a company can produce goods or services for others. The others want the good or service. They can produce it for less than what they can sell it for, thereby achieving what we refer to as a profit. And then the companies that generate that profit, in sharing some of that profit with the risk-taking investors that invested in the company, they reward the investors for the risk they took.

And in and of itself, making a product at a cost that is less than what you can sell it for and finding people who like it and buy it and thereby generating a profit, that could be a lemonade stand. That doesn't represent a very investable business. But this basic concept of creating value for others out of human endeavor and then achieving something called profits from that, when it is done at scale, when it is done at size, when it is done with various strategic and competitive and market advantages that can become sustainable, it represents something that becomes investable for those of us who are trying to create solutions and outcomes, achieve goals for real-life people and institutions and families and so forth.

So there is this underlying philosophy, and then there are a number of ways that people can get there. And one of the things that I believe is that many people don't know how their outcomes come about. I also think they sometimes don't feel like they need to. Stock prices go higher. An index went higher. They can say, "The market went up and now I can retire. The market went up and I can pay for my kid's college. The market went up, the S&P went up, and now I'm buying a new boat," or whatever the case may be. Other times people might think that there's just this relationship between other assets and they're mispriced and we exploited that mispricing. It can get very, very complex with kind of relative arbitrage opportunities and whatnot. And all of these things can deliver unsuccessful results, but they can deliver successful results. But my point, particularly more in the camp of when we refer to an index going up, is that it is depersonifying, depersonalizing, and really understating what is actually taking place.

And you can say, "Well, that's kinda harmless. The investor doesn't care how it's happening as long as it is happening." But that isn't true, because it puts the investment focus on exogenous factors that are outside of the investment advisor's control and the investor's control. It largely puts a focus on this sort of abstract, esoteric idea of a market going up, when in reality, what they're asking for is the sentiment to go up. We want the investor psychology to go up. My investment did well because other people thought it would do well, other people were so excited about it doing well in the future that they bid the price up. And that can work quite a bit. There's times when it cannot work, and those things could actually be quite disastrous.

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But my point is that embedded in any exogenous hope of investor sentiment, these outside circumstances driving, is there has to be this endogenous process by which there's actually the business itself doing better. That focus, to me, is extremely important. I want our clients to not be reliant on us capturing the sentiment of the masses, or being right about the sentiment, or about the masses just constantly cooperating, always being in the right mood to push our investment prices higher when we need them to. But that endogenous focus—and again, I recognize this exogenous/endogenous terminology is wonky, but I'll dumb it down because I think it's important you understand exactly what I'm saying—it's a focus on what the company is doing versus a focus on what the masses think about what the company's doing.

And there is a lot more volatility and up-and-down uncertainty around sentiment and psychology than there is underlying company performance. Now, companies can perform poorly. They can fail to execute. They can fail to deliver on something. That happens. The bandwidth of that is much more narrow than the bandwidth of investor psychology. And so that by us in the dividend growth world being consciously connected to trying to extract a risk premia, extract a positive outcome from what companies are actually doing, and we're getting our profitability that we achieve as investors from the profitability of the company and them sharing it with us in the form of dividend, versus this constant hope in sentiment and the masses and the psychology, et cetera, I think that what you see is a far more sustainable, reliable, durable process.

So that is, of course, at the heart of what we believe and at the heart of what I'm arguing in *Profit from the Profit*. But really, when there's a new Fed chair, when there's a new election coming, when there's a new tax bill we're looking at, when I look at the various macroeconomic things that I write about week by week by week, it's always being done through the lens of dividend growth investing. And I will tell you, I get quite a bit of mail from people that say, "Hey, I read Dividend Cafe today. I thought your commentary on XYZ was great, but I'm just curious, what did you do in the portfolio about it this week?" And I think it's a perfectly fair question. And I have some critics who say, "Because you are not trying to change the portfolio day by day to what's happening in the news, why do you write about it each week?" And I also think that's a very fair question, although I candidly think I have a very good answer.

But the reality is that one of the beauties of dividend growth investing is, yes, there are things that may happen within a company that we say, "Hey, this company now has a great recurring cash flow that makes it a wonderful prospect for a dividend grower," or, "This company has run into something that we feel their ability to continue paying and growing a dividend is now called into question." There are these bottom-up things we have to wonder about. But I can't really think of a situation where the top-down—like who the chair of the Fed is—might impact whether or not a Procter & Gamble or McDonald's, for example, is gonna grow the dividend. I do not think that you want your portfolio and the outcomes you get from your portfolio highly subjected to various news issues like that.

I am highly skeptical that people making adjustments in their portfolio when it's managed on a bottom-up basis around those types of headline events are gonna do so well. What I think, though, is that having a good framework of what's happening in the world, to the extent it affects the asset allocation of a portfolio, to the extent by being aware of what's happening and hearing our point of view on it, we want you to have greater confidence in our command of what is happening, you to have a greater confidence in the strategy that underlies your portfolio, while at the same time, the strategy itself is meant to be far more insulated from the events of the headlines.

And I think that dividend growth investing all at once allows an investor to have the right mentality about their own investments and those investments being instruments to achieving financial goals. Biographically, I've shared many times, I encountered dividend growth investing as a younger man coming out of the late '90s and early 2000s and the dot-com implosion and what took place in the 30-month bear market that was March 2000 to September 2002. I realized, A, there's a whole lot of people in my profession and a whole lot of clients out there who want that excess, that greed, that leverage, that euphoria, and that those things can rip someone's face off. That can, first of all, kill the careers of advisors and, more importantly and more unfortunately, become fatal to the goals and outcomes of individual investors.

But secondly, even apart from that leverage, excess, euphoria dynamic that I learned at a very early age as a professional investor was not gonna be a part of my life and career and the way in which I did business, I also learned that conventional mechanisms that were supposedly far more prudent had at least the chance of failing in their delivery of outcomes. I don't mean, oh, they have a chance of going down. Everything can go down. I'm not referring to volatility. I'm referring to goals that could not be achieved because of negative compounding, because of sequence-of-return risk, because of real-life financial dynamics that admittedly don't happen a lot and have not happened frequently since, but did happen then and have happened in history multiple times.

And so I went in pursuit of a strategy that could sustain withdrawals for people, and I believe to this day with every ounce of breath in my body that when you're taking fruit from the tree but not having to cut down the tree itself, that the up-and-down value of the tree becomes immaterial to a drawer, and as long as you are only taking from that fruit, you are insulated from these various risks that undermined so many people twenty-five-plus years ago. But I was in pursuit of a withdrawal strategy, and I stayed for the accumulation strategy. I quickly learned the unbelievable math of compounding, the reality that in a lost decade for index investors, dividend growth did very, very well, that there was an underlying durability of the types of companies, their own ability to manage cash flow, to enter into a social contract with their investors that was far more shareholder-friendly than so much of what was happening then and so much of what is still happening today.

And so the accumulation benefits then became coupled to the withdrawal benefits in a very practical and material way in our own practice, and then that has guided us for over two decades since. I have a lot more I want to say about dividend growth investing, but I say it all the time on Dividend Cafe. But with the book coming out next week, I'll wrap this little two-part series up by getting into a couple of the messages in the book as to why I think the tax aspect of dividend growth investing is a feature, not a bug. How I believe that dividend growth does not just defend against market volatility, but embraces it and exploits it offensively, that there is something it does to capitalize on it compared to other investment strategies. But ultimately, I really just want to talk about the nature of dividend growth investing relative to other public equity options, which is what a company is supposed to do with profits. And I want to make the argument for investors profiting from the profits, and doing so in the form of sustainable, real, durable dividends that they can put either into the reinvestment of more shares of the company or into their checking account to purchase those boats, groceries, tuition bills, or dinners out that make life meaningful.

Thanks so much for listening each week to The Dividend Cafe. For those of you who've been reading this for 18 years, I know you've heard a lot of this before. I hope that this book captures my convictions more eloquently than the first book. I'm proud of the first book. I wrote a book in 2018 that came out in early '19 called *The Case for Dividend Growth Investing*, and *Profit from the Profit* is a brand-new book. But it's meant to be updated. It's meant to tackle some new arguments and new critics, new critiques. And I think it does it better than what I've written before, but I'll leave that up to those who read the book or listen to the book. Both the audio and the written book come out on Tuesday.

But I will say this: every week in Dividend Cafe, I am committed to two things. One is a faithful consistency around first principles, that there is a belief system that's gonna drive how I'm dealing with various issues, whether they be socioeconomic, macroeconomic, sociopolitical, or just headline issues in the news that warrant commentary. But I also think that the execution, the application of these things, I'm committed to it being consistent out of those principles. And I think that dividend growth investing remains something we're passionate about because of that consistency, and I believe that my arguments for it as an investment strategy rooted in investment philosophy have been significantly fortified by the last, let's call it, 25 years.

And I look forward to not only those who read or see the book and hear all the message there, but I look forward to continuing to do it for the rest of my life here in The Dividend Cafe. With that said, thank you, those of you who listen, those of you who watch, and those of you who read. Thank you for being a part of this Dividend Cafe. I look forward to being with you next week.