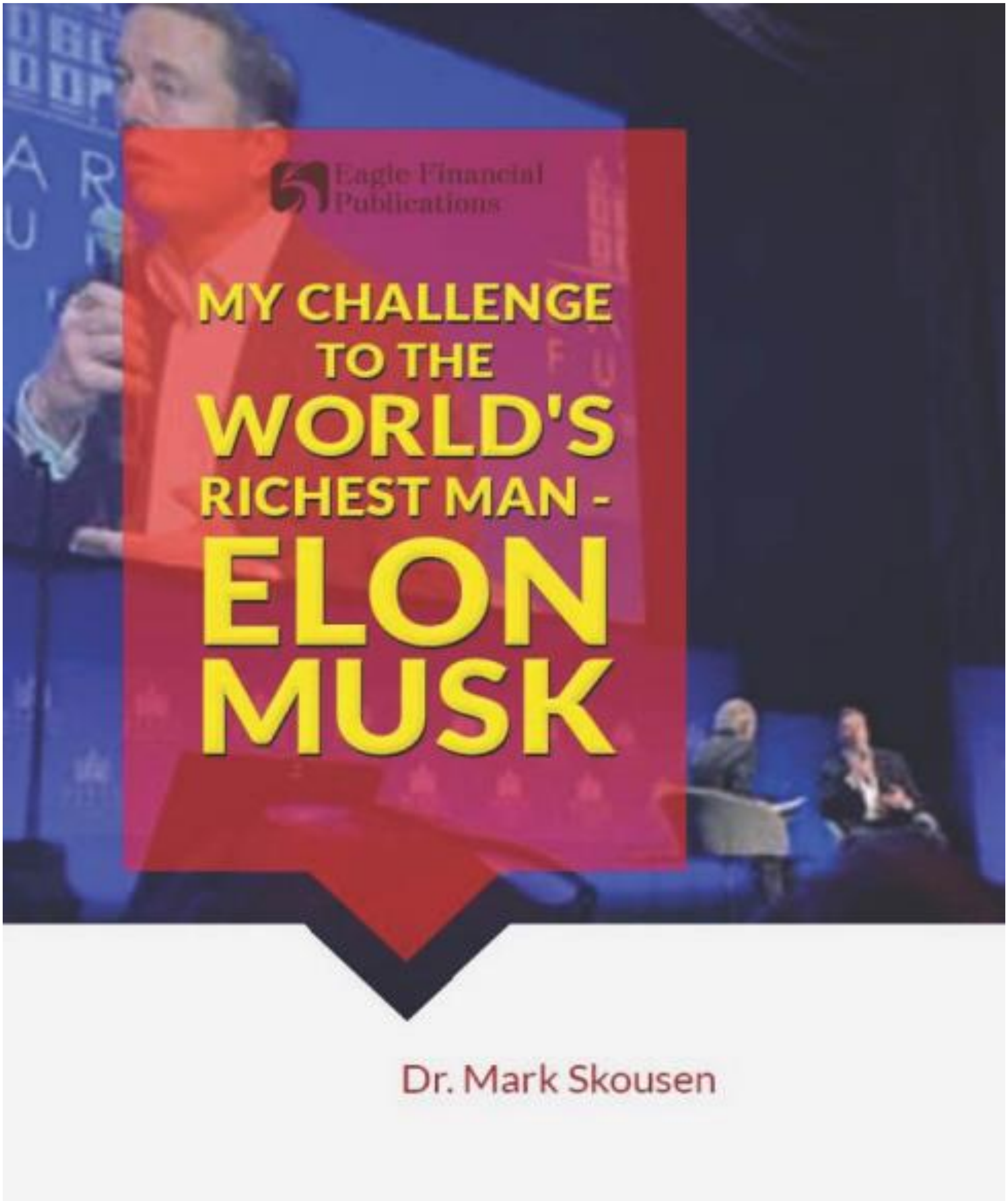

Editor, *Forecasts & Strategies*
**Celebrating 42 years of independent investment research*

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My Challenge to the World's Richest Man: Elon Musk

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My Challenge to the World's Richest Man – Elon Musk

My wife and I recently attended the annual Baron Investment Conference in New York City. The surprise CEO was none other than Elon Musk, CEO of Tesla and SpaceX.

Ron Baron is a big fan and one of the largest shareholders. (Ron considers Musk a modern-day Leonardo de Vinci.) After Ron Baron's half-hour interview with Elon was over, I was given the opportunity to ask him a question.

I started off by quoting the Roman philosopher Seneca from my book, "The Maxims of Wall Street," page 142: "There is no great genius without a touch of madness," to which the planet's wealthiest human responded, "I like the madness part!"

Apparently, there is a method to his madness, given the success of Tesla. As Ron Baron said, "Without Elon Musk, there would be no EV market. He has accelerated the growth of sustainable energy."

I followed up with a "challenge" to the planet's wealthiest human. I asked Musk why investors should buy Tesla stock, considering the company's valuation (selling at 70 times earnings) ...

When could you invest in Mercedes Benz – which sells at 5 times earnings and yields around 9%? My challenge to Musk created quite a sensation.

I show up twice in the video: around seven seconds into the clip, a picture of me in the audience, wearing my signature hat; then my question to Mr. Musk starts at around 52-53 minutes into the interview.

My question and his response lasted about three minutes.

I was only one of two people out of 5,000 who got to ask a question. I felt like I had won the lottery, although I did not win either of the two Teslas given away after Musk spoke.

It must have been my hat trick!

Elon Musk's Quick Response

In response, Elon was overjoyed that the EV market has grown dramatically, but, he said, Tesla has the advantage and is years ahead of the competition.

He said that it's no longer about just electric vehicles (EVs), but Tesla is five years ahead of everyone on self-driving vehicles, robotics and other technologies.

He also said that all the top engineers from Ivy League schools want to work for Tesla and SpaceX.

They are finding new ways to eliminate "useless" parts in automobiles. Tesla is working on a cheap X model that will sell for around $20,000 but didn't say when.

The Twitter Controversy

Musk's takeover of Twitter was brought up at the meeting.

He said that Twitter "could be one of the most valuable companies in the world as the digital town square" but the old model was broken and was losing money.

He's working on a new model that hopefully will be profitable. He's getting rid of the spam and fraudulent accounts by creating "verified users" and charging $8 a month (called "Twitter Blue").

His biggest challenge is responding to all the big advertisers who are canceling their contracts with Twitter in response to radical activists who hate Musk for bringing back free speech on social media.

He is adopting "moderate" rules that will satisfy 80% of Twitter users, but not extremists who engage in "hate" speech.

The Twitter controversy has been a major distraction. He admitted that taking Twitter private has increased his workload to 120 hours a week, but he's convinced that a successful model for Twitter can be done in fairly "short order."

His last comment to the audience was, "I urge everyone to sign up for

Twitter!"

Elon Musk Takes a Political Stance

Musk recently wrote on Twitter, “While it’s true that I’ve been under unfair & misleading attack for some time by leading Democrats, my motivation here is for centrist governance, which matches the interests of most Americans.”

His posts about politics and the midterms followed several tweets in which Musk urged his followers to vote Republican because “shared power curbs the worst excesses of both parties.”

**Earlier this year, I filmed a video called “The Biden Disaster,” referring to the growing problems America faces — double-digit-percentage inflation, excessive regulation, higher taxes and a bear market on Wall Street. You can watch it here.*

During Musk's presentation, he also expressed enthusiasm about his life, despite its many challenges and criticisms.

"Life," Musk said, "should be exciting, inspiring and adventuresome."

I feel the same way about celebrating going around the sun for three quarters of a century!

I feel a little bit like Benjamin Franklin, my ancestor, who wrote to a friend: “People who live long drink of the cup of life to the very bottom and must expect to meet with some of the usual dregs; and when I reflect on the number of terrible maladies human nature is subject to, I think myself favored in having only three incurable ones that have fallen to my share, viz., the gout, the stone, and old age; and that these have not yet deprived me of my natural cheerfulness, my delight in books and enjoyment of social conversation. There are many sorrows in this life, but we must not blame Providence inconsiderately, for there are many more pleasures. This is why I love life.”

If Ben Franklin – my eighth-generation grandfather – were alive today, what investment advice would I offer him?

My advice to my penny-pinching grandfather would undoubtedly be

this: *Invest in dividend-paying stocks and funds.*

And if you want to know WHY and HOW, keep reading.

The Best Way to Own Dividend Stocks

Investors who are looking for income while protecting their principal can’t rely on bonds in this day and age.

A 10-year treasury bond, for example, currently yields just above 3%. This is barely enough to keep pace with today's raging inflation.

As a result, many investors have turned to dividend-paying stocks to obtain the income that they seek. And that’s a good thing.

Dividend-paying stocks beat bonds hands down for two reasons.

The first reason for the superiority of dividend-paying stocks is that when interest rates rise, as they will at some point, bond prices correspondingly fall.

Of course, stock prices can also fall.

However, there’s a great deal of research that supports the notion that dividend-paying stocks don’t fall as far during a downturn as non-dividend-paying stocks do.

Plus, the share price of dividend-paying stocks is more likely to quickly recover from a market downturn.

My second reason for preferring dividend stocks is that they have historically outperformed non-dividend-paying stocks over time.
That is, not only do they allow you to stay ahead of inflation, but they also let you build wealth faster than you would be able to otherwise.

A comparison between dividend-paying stocks and the S&P 500 is reflected in the following chart:

I'm not the only one who thinks this way. **Wharton School** professor — and the renowned author of "*Stocks for the Long Run*" — **Jeremy Siegel** has found that dividend-paying equities have historically outperformed their non-dividend-paying counterparts.

Studies have also shown that dividend-paying stocks are less risky than non-dividend paying stocks.

This is because you can avoid the high-wire ventures of aggressive growth stocks if you invest in stable companies.

Remember the technology bubble of the late 1990s?

When you invest in dividend-paying stocks, you avoid buying the shares of non-dividend-paying public companies such as Enron and eToys.
Both of those companies flamed out, with Enron's accounting scandal bringing the company to an embarrassing end.

Finally, dividend-paying stocks can really shine during bear markets since the dividend payout is able to provide a cushion while growth stocks are faltering.

Furthermore, the prospect of a dividend payment can help support a stock when the market itself is not doing well.

At the same time, a non-dividend-paying stock is vulnerable to a deep fall in value during a bear market since this kind of stock lacks the ability to use dividend payments to keep investors from selling their shares.

To be clear, while dividend-paying stocks can still lose value, *they tend not to fall as much as aggressive growth stocks that do not make dividend payments to their shareholders*.

Why You May Prefer Dividend-Paying Funds... Instead of Stocks

Since the 2008 meltdown, many investors have become less than enthusiastic about owning stocks.

Indeed, the potential for one stock to tumble and take a person's entire investment along with it has now come to represent more risk than the average person is willing to take on.

For these investors, owning funds that pay dividends is the way to go.

That is, exchange-traded funds (ETFs) can offer these investors a way to capture all the upside of an appreciating index — along with collecting an attractive dividend yield — while minimizing risk.

In my award-winning newsletter, *Forecasts & Strategies*, I've made the following three recommendations for just this kind of investor.

If you're one of these individuals, then one — *or even all three* — of these plays are a good bet for acquiring a consistent income and minimizing one's risk in today's market.

Dividend-Paying Fund #1: Main Street Capital (MAIN)

I've found a backdoor into the massive gains possible in private equity. It's a company called Main Street Capital (MAIN), and it features a 7% annual dividend yield, with monthly distributions paid out to investors.

Based in Houston, Main Street is a business development company (BDC) that makes equity investments and loans money to small and mid-sized companies in the $10-100 million range.

Just like master limited partnerships (MLPs) and real estate investment trusts (REITs), BDCs get special treatment from the government.

Last year, the company issued new shares – and as a result, the stock price fell by 4%.

However, this is a positive move by MAIN, suggesting that its business model is working, and more investments are called for.

Indeed, MAIN is moving back up and has found support above $40 (share price).

The company pays out a monthly dividend of $23 cents, with the next ex-dividend date Dec. 15, 2023.

Conclusion: For income investors who want to capture the upside of American capitalism, rising dividends and a blended return that sits between value and growth, **MAIN** is a great way to go.

Dividend-Paying Fund #2: Enterprise Products Partners (EPD)

A nice way to diversify your holdings and profit from the energy boom is available through Enterprise Products Partners (EPD: 7.6% dividend yield), a Texas-based pipeline company that is America's largest pipeline operator.

It has a track record of acquiring new companies and additional natural gas assets, as well as a rising dividend policy.

Even in the midst of the pandemic, EPD managed to grow its dividend, marking the 24th year in a row the company has increased its quarterly dividend payout.
Enterprise is a master limited partnership (MLP) that provides a range of services to producers and consumers of natural gas, natural gas liquids (NGLs), crude oil, refined products and petrochemicals in the continental United States, Canada and the Gulf of Mexico.

As an MLP, most profits flow straight through the company to unit holders and are untaxed as distributions.

Investors are then responsible for paying the taxes on their share of MLP income, which involves some paperwork – but is often worth it.

Pipeline companies such as EPD are benefiting from the oil and gas boom in the United States and enjoying an increase in demand for the transportation of energy products.

In addition, EPD has better metrics than its competitors — higher revenue growth, higher net margins and an enviable rising quarterly dividend policy.

What a money machine!

Moreover, EPD is wisely and aggressively expanding its capital operations to ensure it can continue to pay out its generous 7.6% dividend.

It is expanding its three Permian Basin projects and now has $5.5 billion in major projects under construction. They should enter service in 2025. It also plans to build an additional natural gas processing plant, an ethane export terminal and another large-scale petrochemical plant.

Recently, EPD's management increased its quarterly distribution to 50 cents per unit. Zacks Investment Research ranked EPD a momentum stock and a strong "buy."

Higher commodity prices have encouraged oil & gas companies to drill more wells, boosting the volume of oil and gas flowing through Enterprise's pipelines. This has increased the company's cash flow and expanded its list of capital projects.

Don't be surprised if EPD increases its 7.6% annual distribution soon.

Morgan Stanley raised its price target on EPD from $27 to $31 a

share.

Conclusion: Consider adding shares to your portfolio for a large, reliable income from EPD's dividend distributions.

Dividend-Paying Fund #3: Brookfield Infrastructure Fund (BIPC)

Brookfield Infrastructure Fund (BIPC) trades on the NYSE and pays out a dividend yield of 4.7%.

The fund is invested in utilities, pipelines, toll roads, railroads, ports and data sectors in North America, South America, Europe and Asia.

I view Brookfield as a "one-stop-shop" for investors who are seeking infrastructure investments.

Brookfield is aggressively expanding its infrastructure investments across the board, and it is profiting from its foreign currency hedging program.

Conclusion: For income investors who want to capture the upside of global infrastructure, **BIPC** is a solid choice.

Biography

Mark Skousen, Ph.D., editor of *Forecasts & Strategies*, is a nationally known investment expert, economist, university professor and author of more than 25 books.

In addition to his 42-year running *Forecasts & Strategies* newsletter, Dr. Skousen is investment director of the trading services *Home Run Trader, Fast Money Alert, Five Star Trader,* and *TNT Trader*.

In July 2018, Dr. Skousen was awarded the inaugural Triple Crown in Economics for his work in economic theory, history and education, and has been identified as one of the 20 most influential living economists.

He earned his Ph. D. in monetary economics at George Washington University in 1977. He has taught economics and finance at Columbia Business School, Columbia University, Barnard College, Mercy College, Rollins College and Chapman University. He also has been a consultant to IBM, Hutchinson Technology and other Fortune 500 companies.

He is the founder and producer of FreedomFest, “the world’s largest gathering of free minds,” which meets every July in Las Vegas (www.freedomfest.com). FreedomFest attracts several thousand people from around the world.

He is a former analyst for the Central Intelligence Agency, a columnist to Forbes magazine (1997-2001), and past president of the Foundation for Economic Education (FEE) in New York.

He has written articles for the *Wall Street Journal, Reason, The Daily Caller, Christian Science Monitor* and *The Journal of Economic Perspectives*. He has appeared on CNBC, ABC, CNN, Fox News and C-SPAN Book TV.

Based on his work “The Structure of Production” (NYU Press, 1990), the federal government began publishing a broader, more accurate measure of the economy, Gross Output (GO), every quarter along with gross domestic product (GDP). It is the first macro statistic of the economy to be published quarterly since GDP was invented in the 1940s.