

One Share of Stock Now Worth \$9.8 Million -- Is It Really Possible?

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The back of Coca-Cola's (KO) proxy statement recently stopped me in my tracks.

It declared that just one \$40 share of the company's stock bought in 1919, with dividends reinvested, would be worth \$9.8 million today.

Yup, \$9.8 *million*. That's quite a feat. But could an investor today replicate a similar scenario?

The answer is yes, but with caveats.

The Keys to Hypercaffeinated Returns

Let's put our lucky Coca-Cola stock holder's returns in perspective.

First, while \$40 in 1919 may sound like a lot, it's the equivalent of about \$531 today. It's a somewhat significant sum of money, but with some concentrated cost-cutting over a few months -- of cutting cable or skipping dining out for a while -- it's an amount that's not all that difficult for the average American to save up.

Obviously, the time frame (93 years) is more than a decade longer than the average American's life expectancy, so it's unlikely any one person lived long enough to toast their \$10 million good fortune. But their heirs certainly were around to thank grandpop for his savvy investment. A similar time frame could be achieved by buying stock today for a newborn child or grandchild.

So we've accounted for two main factors for the Coke investor's long-term success -- a decent-sized initial investment and the wherewithal to hold on to that stock for a lifetime.

However, the most difficult part of achieving this scenario today is that very few companies last as long as Coke has.

Stocks with Staying Power

As you can see, the Dow Jones Industrial Average (a representation of the major companies of the time) in 1920 looked quite different than it does today:

1920 Dow	Dow Today
American Can	3M
American Car & Foundry	Alcoa
American Locomotive	American Express

AT&T	
American Sugar	Bank of America
American Telephone and Telegraph	Boeing
Anaconda Copper	Caterpillar
Baldwin Locomotive	Chevron
Central Leather	Cisco Systems
Corn Products	Coca-Cola
General Electric	DuPont
Goodrich	ExxonMobil
Republic Iron and Steel	General Electric
Studebaker	Hewlett-Packard
Texas Company	Home Depot
U.S. Rubber	Intel
U.S. Steel	International Business Machines
Utah Copper	Johnson & Johnson
Western Union	JPMorgan Chase
Westinghouse Electric	Kraft Foods
	McDonald's
	Merck
	Microsoft
	Pfizer
	Procter & Gamble
	Travelers
	United Technologies
	Verizon
	Walmart
	Walt Disney

Believe it or not, only six companies from the 1920 Dow are still around and public today. Most were either bought out or taken private, with the remainders either being liquidated or going bankrupt. And of those six, only two have consistently paid dividends since 1920.

plicating Coca-Cola's example is the ability to successfully pick a company that will have 90-plus years of staying power, will remain publicly traded, *and* will continue paying dividends over that time period.

Don't Dismiss the Possibility Just Yet

Even though you may not have psychic abilities, nor 90 years to wait, there's still a clear lesson in this example.

The lesson is that investing in companies that pay dividends can be a remarkably effective long-term investing strategy. Especially when you reinvest the dividends, thanks to the compounding effect that adds to your money's growth.

Wharton professor Jeremy Siegel's academic research backs this up. Beyond providing investors with a regular stream of income, he says that companies paying dividends typically provide their investors with the best returns -- in the long run. Even better, on average, they also do so with less risk.

So whether you're saving for retirement, saving for the college fund of a child or grandchild, or simply looking for your money to compound quicker than the 1.5% per year you'd be lucky to get with a 5-year CD -- investing in companies that pay dividends could be the better bet.

For a good place to start, [check out this pair](#) of dirt cheap stocks with huge dividends.

This article was written by Motley Fool analyst Adam J. Wiederman. He owns no shares of the companies mentioned above.



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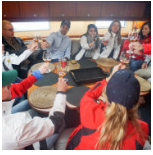
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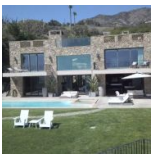
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