February 13, 2008 - "Which has greater long term value for me as an investor? Re-investing my dividends or not re-investing them and taking them as income as they are generated?"

Answer: This is a good question. The answer depends upon the investment, and it depends upon your need for cash flow for living expenses.

A. If you are using your portfolio to pay for living expenses, then all dividends, interest, and capital gains should be paid in cash.

B. If this is a growth portfolio, one that you plan to hold for five years or more, usually the best approach is to reinvest all dividends and interest. This presumes that over the long term, the economy will grow and the stock market will also continue to increase in value.

C. A and B above refer to equity mutual funds. For fixed income investments, meaning interest bearing investments and those preferred stock and closed end funds that act as fixed income investments, I prefer to take all cash into the account and then reinvest the cash into other fixed income securities.

This allows for the development of a ladder of maturities for the fixed income purchases - every year, principle is repaid into the portfolio, at full value. Some amount of principle should be recycled each year. A typical maturity ladder would be for a period of ten years. Every year, about 10 percent of the principle pays off and is reinvested. This design reduces risk from interest rate volatility and also provides cash available for emergencies and other needs without having to sell something at a potential loss.

Fixed income securities include corporate bonds, municipal bonds, U.S. Treasury securities, Mortgage Backed Securities (MBS), Preferred Stock, and some closed end funds that purchase and hold similar fixed income securities.