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3 "Dogs of the Dow" to Buy Now

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ZINGER KEY POINTS

- Dogs of the Dow is an investment strategy that involves choosing the top ten Dow Jones stocks with the highest dividends.
- Holding them for a year, and repeating the process.

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The Dogs of the Dow are a favorite pet among income-minded investors, especially at the start of the new year.

The term "Dogs of the Dow" is largely credited to money manager Michael B. O'Higgins.

In 1991, O'Higgins postulated an investment strategy that chose the top ten Dow Jones Industrial Average stocks that pay the highest dividends. Investors hold the stocks throughout the calendar year, then replace them the following January with the new year's latest top ten list of dividend-yielding stocks.

Here's how it works – and the three "Dogs" to do buy today.

The "Dogs" portion of the "Dogs of the Dow" name stems from the otherwise underperformance of high-yielding stocks. For whatever reason – poor sector

performance, major supply chain problems, high inflation, or toxic public relations issues – these Dow Jones stocks didn't cut it in the previous year and raised their dividend to appease market buyers.

Dogs of the Dow proponents believe these stocks will bounce back in the new year and will do so, paying out high dividends to shareholders.

That's the theory, at least.

In both 2023, Dogs of the Dow stocks significantly underperformed the Dow Jones index in 2024 by 14% and the S&P 500 Index by 24%.

Let's dig into the 2024/2025 Dogs of the Dow and see if the strategy reverses course in the new year, starting with the latest Dogs of the Dow list (as follows with dividend yield and 2024 share performance):

2025 Dogs of the Dow Stocks

1. Verizon Communications (VZ)

6.79% yield, +5.9% in 2024

2. Chevron Corporation (CVX)

4.53% yield, -3.5% in 2024

3. Amgen Inc (AMGN)

3.62% yield, -8.8% in 2024

4. Johnson & Johnson (JNJ)

3.42% yield, -7.5% in 2024

5. Merck & Company (MRK)

3.25% yield, -8.5% in 2024

6. Coca-Cola Company (KO)

3.11% yield, +6.0% in 2025

7. International Business Machines (IBM)

3% yield, +36.2% in 2024

8. Cisco Systems (CSCO)

2.68% yield, +18.0% in 2024

9. McDonald's Corporation (MCD)

2.41% yield, -1.0% in 2024

10. Procter & Gamble (PG)

2.37% yield, +15.7% in 2024

What do these stocks bring to the table? Market experts use some variation of the word "potential."

"These "dogs" are often undervalued as signaled by high yields," says Joseph Zappia, co-chief investment officer at LVW Advisors in Pittsford, NY. "These stalwarts typically hold their dividends steady or increase them, so high yields usually mean a lower price. The strategy is simple, income-focused, and rooted in value investing, making it appealing to investors seeking higher dividend income."

Engaging with a Dogs of the Dow investment strategy is ideally discussed with a trusted financial advisor, but user-wise, it's an easy move to make for Main Street investors.

"The Dogs of the Dow is a solid strategy, and it's good for anyone who understands the inherent risks of the stock market," says Lucas Barcelo, a money manager and founder at Thrivin Life, a business consulting company in Las Vegas, Nevada. "It's like investing with training wheels because there is lower risk, stability, and consistent income in the form of dividend payouts."

"For anyone who is looking for a set-it-and-forget-it approach to investing, this is a very feasible option," Barcelo added.

Top "Dog" Picks for 2025

While vintage Dogs of the Dow strategies focus on those top 10 Dow dividend-paying stocks, some Dogs stand out more than others. These companies lead the list

Verizon (VZ). Some companies just have bad luck one year and good luck the next. Telecommunications giant Verizon should fall into that category.

"I like Verizon most of the Dogs, not just because of the high yield, but because their stock price has declined mainly because of China's Salt Typhoon attack on their networks," says Jason DeLorenzo, owner and principal at Ad Deum Funds and creator of the Volland options trading platform. "They should shore up their cybersecurity and yield both capital gains and dividend yields."

Additionally, their stock price is not exceptionally volatile, "which means that their yield will only persist," DeLorenzo adds.

Chevron (CVX). The oil and gas sector has faced stiff headwinds from reduced demand and a push toward cleaner energy, but there's still plenty of room for growth for oil and gas heavyweights like CVX. The company boasts a robust balance sheet and steady cash flow. Chevron is also expanding its energy exploration projects in regions like the Gulf of Mexico, where CVX expects to boost production by 2026. A current dividend yield of 4.39% won't hurt either.

"Companies like Chevron are expecting to continue their generation of high cash flows and I can personally attest to their consistent payouts of dividends," Barcelo says.

Coca-Cola (KO). Coca-Cola is getting support on Wall Street, with 76% of analysts covering the stock slapping "buy" calls on KO in early 2025.

Wells Fargo is holding its buy rating on the stock, while Piper Sandler initiated its coverage of KP with an overweight rating and a \$74 per share target price. Coca-Cola stock is currently trading at \$61 per share.

Coupled with a solid dividend yield of 3.15%, KO becomes a good Dogs of the Dow play as consumers appear to be in bounce-back spending mode in 2025.

Feed the Dogs With Your Eyes Wide Open

As 2024 demonstrated, a Dogs of the Dow strategy offers no guarantees, and risk is always an issue.

"Currently, you can buy a 10-year Treasury bond with lower risk and a higher yield than all but one of those Dogs of the Dow (Verizon)," DeLorenzo says. "As a result, you're relying heavily on capital gains for this strategy to work, and the Dow is not known to be an index that makes fantastic returns on capital gains."

DeLorenzo calls the Dogs of the Dow an "interesting strategy" and a "good one for Main Street investors."

"However, you shouldn't buy these stocks blindly and mechanically," he added. "Do your due diligence to ensure that your investment in the Dogs of the Dow strategy is properly diversified."

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