

Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



Safe Legacy Energy Investment

By: www.ProfitableInvestingTips.com.

Once upon a time you could invest in an energy company like Exxon, reinvest your dividends, and have a nice nest egg for retirement. Today Exxon has all sorts of issues to confront as the world pivots to renewable energy, electric cars, and the like. Where can you find a safe legacy energy investment that will pay dividends and be around when you retire? An old saying from the California gold rush days was that when everyone was trying to find gold, the money was in selling picks and shovels. With that thought in mind we suggest Kinder Morgan as a safe legacy energy investment.

Why It Is OK to Love Legacy Investments

As the world moves forward, the money always seems to be in new technologies. But, as *US News* notes, it's [OK to love legacy investments too](#). They mention Coca Cola with its internationally known brand and Johnson & Johnson with its huge list of brand names like Tylenol and Band-Aids. "Legacy assets" are often written off a company's balance sheet as they lose value. But, there are legacy assets that don't become useless with time. The safe legacy investment that we are considering today, Kinder Morgan, manages pipelines for moving oil and natural gas. These pipes stay in the ground, virtually forever, and are the backbone of the system for heating our homes and running today's power plants.

Is Kinder Morgan a Safe Investment?

If you look at Google Finance, search for Kinder Morgan and choose MAX that goes back to 2011 you see that the stock traded in the \$30 to \$40 range when oil prices were high and fell to \$13 in 2016 when oil prices collapsed. It traded around \$15 to \$20 until the pandemic hit. Today stock trades at \$16.50 a share. It pays a 6% dividend. Folks like *Seeking Alpha* think [Kinder Morgan stock is undervalued](#).

Kinder Morgan's (NYSE: KMI) share price is still nowhere near where it was in mid-2015 when the company's share price was almost triple its current price. That's due to the company's struggles around issuing equity and continuing growth. Despite that, as we'll see throughout this article, the size and potential of the company's asset base means the potential to drive strong returns.

Investing in a Natural Gas Transport Company

Natural gas is the cleanest fossil fuel and will likely be used into the far distant future to run power plants and heat homes. The 70,000+ miles of pipelines that Kinder Morgan owns and operates are an invaluable legacy asset that will not be replaced by new technology. They are the largest independent transporter of refined products and the largest operator of terminals at 144.

Seeking Alpha thinks this stock is undervalued.

Kinder Morgan has an impressive portfolio of assets and the company's fee-based model with more than 90% reliable cash flow is impressive and worth paying close attention to. Going forward, Kinder Morgan will continue using its strong cash flow to reward shareholders. Strong buybacks and dividends will provide the company nearly 8% annualized.

This company should not be the only investment in your portfolio but it appears to be a viable and safe legacy energy investment for the long term.

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