The Trend For Stock Dividends Is Up

Annual Stock Dividend Increases
(Universe Of Approximately 10,000 U.S.-Traded Stocks)

View from the Observation Deck

1. The number of companies that have increased their stock dividend payouts has grown dramatically since the end of the last recession in 2009 (see chart).

2. In 2013, 2,895 companies boosted their dividend payout to shareholders, up 143% from the 1,191 increases registered in 2009, according to S&P Dow Jones Indices.

3. On the flip side, the number of companies that decreased their dividend payout in 2013 totaled 299, well below the 804 decreases posted in 2009.

4. Stock dividend distributions are a longstanding barometer of a company’s financial condition. Dividends are one of the means by which management can enhance shareholder value.

5. Companies have managed to increase their payouts while reducing their payout rate. Historically, the ratio has been closer to 52%, according to S&P Dow Jones Indices.

6. The dividend payout rate (% of a dollar’s worth of earnings paid out as a dividend) has been in the vicinity of 35% in recent quarters. That implies there is the potential for further increases.

7. S&P Dow Jones Indices reported that companies increased their actual cash payments to shareholders by over 10% in 2013, and expects them to raise them further in 2014.

This chart is for illustrative purposes only and not indicative of any actual investment. There can be no assurance that any of the projections cited will occur. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index.