The Rise In Stock Dividend Payouts
Encouraging On Two Fronts

View from the Observation Deck

1. The chart above offers a nice before and after look at the post-financial crisis recovery in the amount of stock dividends distributed by the companies in the S&P 500.

2. Quarterly dividend payouts did not surpass the $60.9 billion average (see chart) until Q4'11. Payouts rose from a low of $47.21 billion in Q3'09 (Crisis) to $79.26 billion in Q3'13.

3. The record high was set in Q4'12 at $79.83 billion, but the amount was higher than it normally would have been as many companies frontloaded a portion of the dividends earmarked for Q1'13 because the tax rates on the top marginal tax bracket were set to rise beginning in 2013.

4. Companies have the capital to raise their payouts. The cash and equivalent holdings of the S&P 500 Old Industrials companies (excludes Financial, Utility & Transportation companies) hit a record $1.25 trillion in Q3'13.

5. 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. Historically, the ratio has been closer to 52%, according to S&P Dow Jones Indices.

6. Investors should be encouraged by the fact that companies are not only distributing billions of dollars more each quarter to shareholders via stock dividends, but have the wherewithal to keep this trend going.

Source: S&P Dow Jones Indices. Q3’13 data is preliminary.