The V-Shaped Recovery In Stock Dividends Is Now A Check Mark

S&P 500 Stock Dividends

Average $61.7 Billion

Source: S&P Dow Jones Indices. Q4'13 data is preliminary.
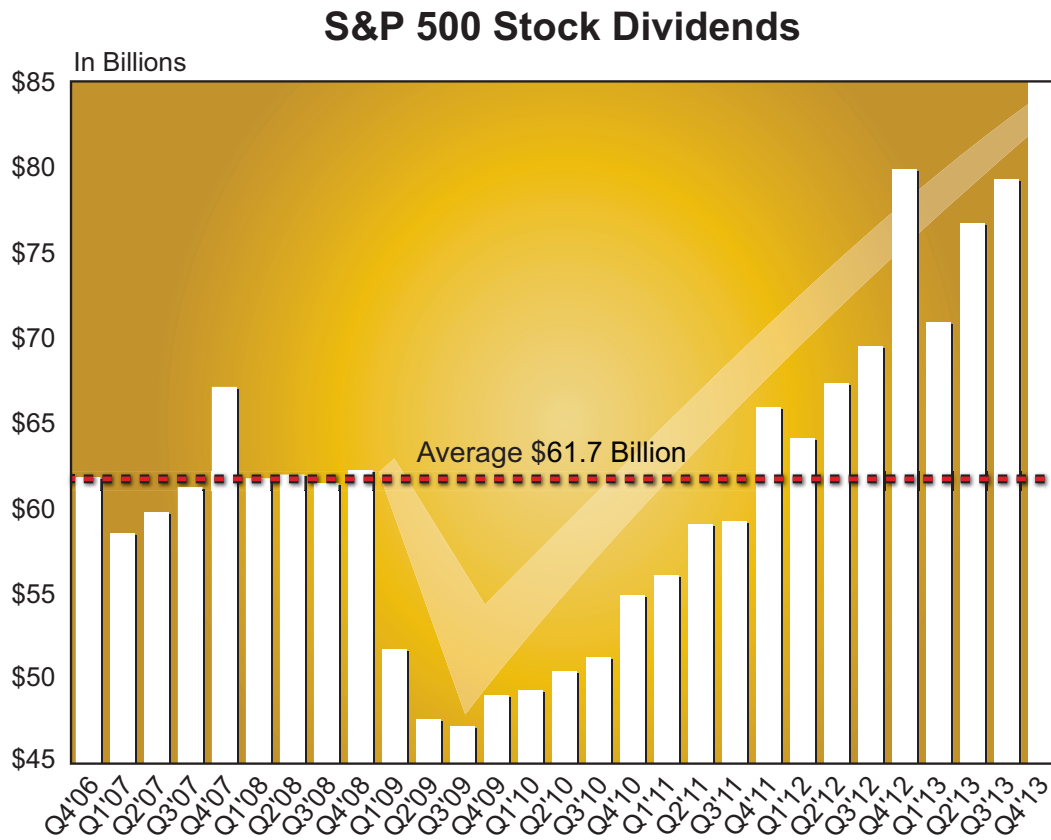
View from the Observation Deck

1. Today's blog post is an update of one we did on 1/7/14. We intend to continue monitoring the direction of stock dividend distributions over the coming quarters.

2. S&P 500 companies paid out $84.98 billion in dividends in Q4'13, up 6.5% from the $79.83 billion distributed in Q4'12.

3. That is impressive considering that many S&P 500 companies boosted their dividend payouts in Q4'12 in response to tax legislation enacting higher tax rates on individuals in the highest marginal tax bracket beginning in 2013.

4. The $84.98 billion distributed in Q4'13 was 80% higher than the $47.21 billion in Q3'09 (see chart). The recession lasted from December 2007 through June 2009, according to the National Bureau of Economic Research.

5. 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, according to S&P Capital IQ.

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

7. 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.