Investors Don’t Have To Settle For A 2.00% Stock Dividend Yield

View from the Observation Deck

1. From 1990-2016, the year-end dividend yields on the S&P 500 Index averaged 2.06% (see chart), just slightly higher than its 2.00% yield today (5/18/17).

2. The 2.06% average dividend yield, while not high, did outpace the 1.60% average rate on the Consumer Price Index (Headline Rate) over the same period, according to Bloomberg.

3. Today’s 2.00% dividend yield on the index, however, is below the 2.2% Consumer Price Index rate posted in April 2017.

4. The highest year-end dividend yield over the period in the chart was 3.66% (1990). The only other year where the dividend yield exceeded 3.00% was 2008, which was a byproduct of the 37.00% plunge in the value of the S&P 500 Index.

5. From 1980 to 1990, the dividend yield on the S&P 500 Index ranged from 3.00% to 6.21% the majority of the time (not shown in chart).

6. In 1990, 438 companies in the S&P 500 Index distributed a dividend to shareholders at year-end, compared to 418 companies in 2016, according to S&P Dow Jones Indices. The lowest number was 351, set in 2001 and 2002.

7. Our takeaway today is that the S&P 500 Index has evolved into a total return vehicle, where stock dividends carry less relevance than the potential for capital appreciation. Which is fine if that is what one seeks.

8. For the investor who seeks a higher level of income from dividend-paying stocks, there are a plethora of opportunities to consider in the packaged product industry (Mutual Funds, Exchange-Traded Funds, Unit Investment Trusts and Closed-End Funds).

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance.