

Cash Flow and Carey



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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 companies used to measure large-cap U.S. stock market performance, while the 11 major S&P 500 Sector Indices are capitalization-weighted and comprised of S&P 500 constituents representing a specific sector.

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S&P 500 Index Dividend Payout Profile

S&P 500 Index Dividend Payout Breakdown (As of 7/3/24)

Indices	Constituents	# of Constituents that Pay a Dividend	Dividend Payout Contribution	Index Yield
Comm. Services	22	16	6.67%	0.96%
Cons. Disc.	52	32	5.64%	0.75%
Cons. Staples	38	36	11.07%	2.61%
Energy	22	22	8.43%	3.13%
Financials	71	66	15.76%	1.71%
Health Care	63	39	14.27%	1.68%
Industrials	78	67	8.80%	1.47%
Info. Tech.	67	37	15.08%	0.61%
Materials	28	28	2.98%	1.89%
Real Estate	31	29	5.77%	3.67%
Utilities	31	31	5.54%	3.32%
S&P 500	503	403	100.00%	1.34%

Source: S&P Dow Jones Indices. Past performance is no guarantee of future results.

View from the Observation Deck

Companies often return capital to their shareholders through dividend distributions. The practice is so common that as of 7/3/24, 403 of the 503 constituents in the S&P 500 Index (“the Index”) distributed a cash dividend to their equity owners. In addition to acting as a conduit for the return of capital, dividend distributions account for a significant portion of the Index’s total return. According to data from Bloomberg, dividends contributed to over 37% of the total return of the Index over the 96-year period between December 30, 1927, and December 29, 2023.

- Dividend payments from S&P500 Index constituents totaled \$70.91 per share (record high) in 2023, up from \$67.57 (previous record high) in 2022.
- As of 7/11/24, dividend payments are estimated to total \$76.09 and \$80.88 per share in 2024 and 2025, up from \$74.54 and \$79.66 per share in 2024 and 2025, respectively, on 1/31/24.
- Of the 11 major sectors that comprise the Index, eight of them had yields above the 1.34% generated by the Index over the period captured in the table. Financials, Information Technology, and Health Care contributed the most to the Index’s dividend payout at 15.76%, 15.08% and 14.27%, respectively.
- The payout ratio for the S&P 500 Index stood at 36.09% on 7/10/24. A dividend payout ratio between 30% and 60% is typically a good sign that a dividend distribution is sustainable, according to Nasdaq.
- Many investors view changes in dividend distributions as an indication of strength and or weakness in the underlying company. For that reason, companies will often avoid decreasing or suspending their dividend payout. There were a total of nine dividend cuts and zero suspensions year-to-date through 7/3/24. For comparison, 15 dividends were cut and four were suspended from 12/30/22 to 7/31/23.

Takeaway

Dividend distributions continue to be one of the most efficient methods by which companies can return capital to their shareholders. As such, investors often view consistent dividend payments and dividend increases as indications of strength. In the 96-year period between December 30, 1927, and December 29, 2023, more than 37% of the total return of the Index came from dividends. Remarkably, dividend growth estimates for the Index have increased since the start of the year. The Index’s 2024 dividend payments were forecast to total a record \$76.09 per share on 7/11/24, up from \$74.54 per share on 1/31/24. Furthermore, dividend sustainability appears to have improved since 2023. Just nine dividends were cut and zero have been suspended this year (through 7/3), down from 15 cuts and four suspensions through July 2023.