Market Commentary Blog

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Paying Dividends

S&P 500 Index Dividend Payout Breakdown (As of 5/30/25)

Indices	Constituents	# of Constituents that Pay a Dividend	Dividend Payout Contribution	Index Yield
Comm. Services	23	18	6.58%	0.90%
Cons. Disc.	51	33	5.71%	0.70%
Cons. Staples	38	35	10.84%	2.41%
Energy	23	23	8.41%	3.67%
Financials	73	67	15.82%	1.45%
Health Care	60	38	14.14%	1.93%
Industrials	78	69	8.93%	1.34%
Info. Tech.	69	38	15.45%	0.64%
Materials	26	26	3.02%	2.04%
Real Estate	31	29	5.51%	3.38%
Utilities	31	31	5.58%	2.93%
S&P 500	503	407	100.00%	1.31%

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

View from the Observation Deck

For many investors, dividend payments have become an ordinary and expected benefit of equity ownership. Notably, 407 of the 503 constituents in the S&P 500 Index ("Index") reported distributing a cash dividend to their equity owners as of 5/30/25. That said, the impact of dividends on the investment landscape has been nothing short of extraordinary. According to data from Bloomberg, dividends accounted for 37.02% of the total return of the Index between May 31, 1928, and May 30, 2025.

- Dividend payments from the Index's constituents totaled a record $74.61 per share in 2024, up from $70.91 (previous record high) in 2023.
- As of 6/9/25, dividend payments are estimated to increase to $81.55 and $86.42 per share in 2025 and 2026, respectively.
- The Index's dividend payout ratio stood at 35.29% on 6/9/25. 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 financial strength or weakness in the underlying company. Just four dividend cuts and one suspension were announced year-to-date through the end of May. For comparison, nine dividends were cut and zero were suspended over the same period last year.

Takeaway

Dividend distributions continue to be one of the most efficient ways for companies to return capital to shareholders. They also contribute meaningfully to overall returns. In the 97-year period between May 31, 1928, and May 30, 2025, more than 37% of the total return of the Index came from dividends. Investors often view consistent or increasing dividend payments as a sign of financial strength. Tellingly, analysts estimate the Index's dividends will increase to a record $81.55 per share in 2025 and $86.42 per share in 2026. Finally, dividends can be a significant potential inflation hedge. Inflation, as measured by the consumer price index, increased by 35.60% over the 10-year period ended April 2025. Total dividends paid by the Index's constituents increased by a staggering 84.03% over the same period.