Market Commentary Blog

Cash Flow *and Carey*



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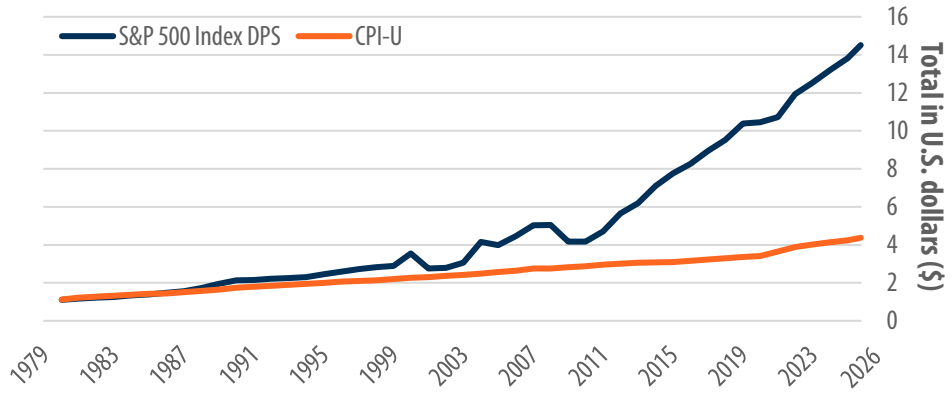
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This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. Dividends per share is calculated by adding the gross dividend amounts for all dividend types that have gone 'ex' over the past 12 months based on dividend frequency. This total includes taxes, related dividend fees or tax related credits. The Consumer Price Index for All Urban Consumers reflects the cost of essential items such as food, apparel, housing, fuel, transportation, medical services, pharmaceuticals, and other products and services purchased for everyday living by nearly all urban residents, excluding those in rural areas, the military, and those in institutions, such as mental hospitals and prisons. CAGR – converts a multi-year projection into a single annualized figure, making long-term growth easier to contextualize and compare.

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Keeping Pace with Inflation

S&P 500 Index Dividends Per Share (DPS) vs. Consumer Price Index for All Urban Consumers (CPI-U)



Bloomberg. Annual data normalized to 1 from 12/31/79 – 12/31/25. Includes one observation from September 30, 2026. S&P 500 Index DPS are gross values.

View from the Observation Deck

Many investors are likely aware of the indispensable role dividends have played in the total return of the S&P 500 Index ("Index") over time, with dividends accounting for 37.2% of the Index's total return between December 31, 1928, and December 31, 2025. We suspect most investors are also aware of inflation's impact on their investments over time. With that in mind, today's post explores the extent to which dividend payments have outpaced inflation. Today's observations cover annual data from December 31, 1979, to December 31, 2025, with one additional data point on September 30, 2026.

As revealed in the chart above, the dividends per share (DPS) paid by the companies that comprise the Index increased at a meaningfully faster pace when compared to inflation, as measured by the Consumer Price Index for All Urban Consumers (CPI-U).

The Index's DPS increased at a compound annual growth rate (CAGR) of 5.88% over the 46-year period ended December 31, 2025. For comparison, the CPI-U increased at a CAGR of 3.19% over the same time frame.

Dividends paid by S&P 500 Index companies reached $724.0 billion in 2025, an increase of 5.4% year-over-year from $686.8 billion in 2024, according to data from Bloomberg. Though not depicted in the chart, the Index's trailing 12-month dividend payout ratio was 27.7% on October 30, 2026, down from 30.6% as of our last post on this topic (June 19, 2026), and well below its 30-year average of 43.5%.

Despite the increase in total dividends paid, Index constituents are paying out a smaller portion of earnings in the form of dividends than the historical average. Share repurchase programs and planned capital expenditures (CAPEX) are increasing as well, supported by surging earnings among these companies. Data from Bloomberg shows that Index constituents announced a record $1.24 trillion in buybacks year-to-date through October 30, whereas Index constituents announced $0.97 trillion in buybacks during the whole of calendar year 2025. As of October 30, 2026, analysts estimated that the Index's earnings per share (EPS) will total a record 364.48 and 424.55 in 2026 and 2027, respectively.

Takeaway

From 1979 to 2025, the dividends per share paid by Index constituents increased at a CAGR of 5.88% compared to a 3.19% CAGR for the CPI-U, providing investors with a potential hedge against inflation's purchasing power erosion. As we see it, record earnings estimates in the coming years support this trend's continuation, while still allowing for larger share repurchase expenditures and higher CAPEX amid AI-related buildouts. As always, estimates for earnings are just that: estimates that can change at any moment. We hope today's post reveals the critical role dividends have played in guarding against inflation over time and plan to update our findings as developments warrant.