

Cash Flow and Carey



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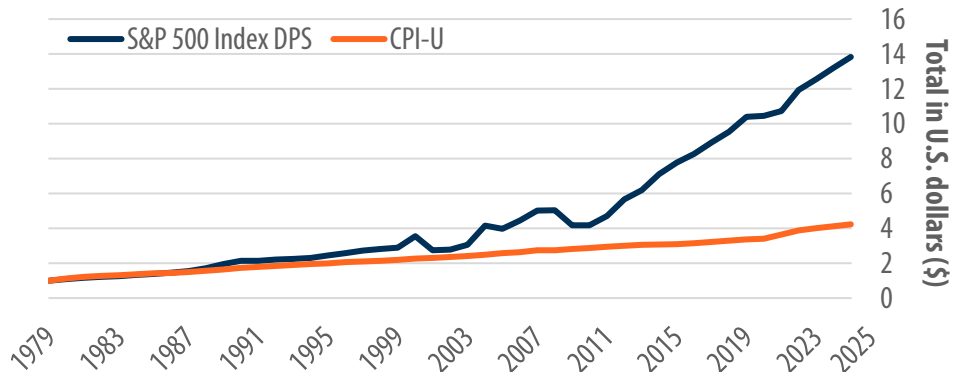
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This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. 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. 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. The time frame we chose was the 46-year period beginning December 31, 1979, and ending December 31, 2025.

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

Over the period covered by today's data, the Index's DPS increased at a compound annual growth rate (CAGR) of 5.88%. 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 30.6% as of June 19, 2026, well below its 30-year average of 43.8%.

Despite increasing total payments, Index constituents are paying out a smaller portion of total earnings in the form of dividends than the historical average. From our perspective, Index constituents are more likely to increase dividend distributions if earnings are growing. Analyst estimates for 2026 and 2027 calendar year earnings growth were 24.1% and 16.4%, respectively, as of June 19, 2026.

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 the erosion of purchasing power caused by inflation. As we see it, this trend is likely to persist over the near term. Notably, the Index's dividend payout ratio remains well below its historical average despite total distributions rising to record levels. Additionally, favorable earnings estimates could lead to an increase in total distributions. We hope today's post reveals the critical role dividends have played in guarding against inflation over time.