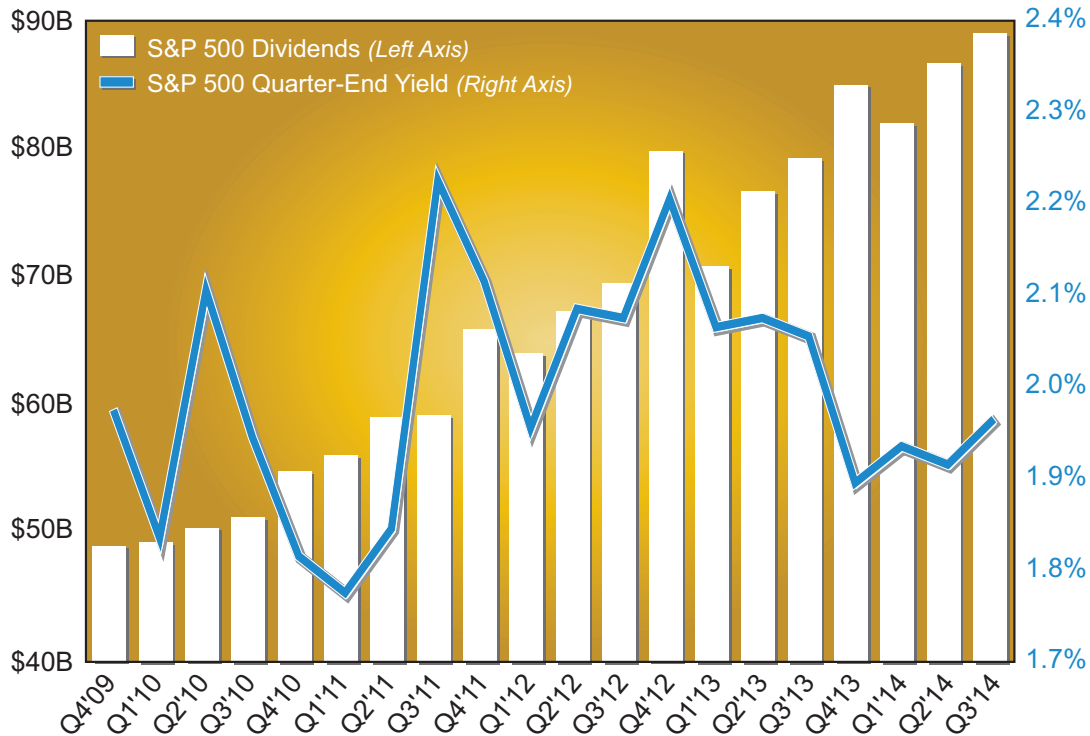


S&P 500 Stock Dividends Are Rising But Its Dividend Yield Isn't

S&P 500: Dividend Payout vs. Dividend Yield



Source: S&P Dow Jones Indices.

View from the Observation Deck

1. Over the past 20 calendar quarters, the S&P 500 stock dividend payout rose from \$49.04 billion in Q4'09 to \$89.02 billion in Q3'14, or increase of 81.5% (see chart).
2. The stock dividend yield (quarter-end) on the S&P 500 went from 1.97% to 1.96% over the same period, which essentially is unchanged. The dividend yield as of midday 12/9/14 was 1.95%.
3. The number of companies paying a quarterly dividend rose from 363 on 12/31/09 to 423 today, according to S&P Dow Jones Indices.
4. What has not changed very much for S&P 500 companies is their average payout ratio. It has remained well below average since 1999.
5. The dividend payout ratio (percentage of a dollar's worth of earnings paid out as a dividend) for the companies in the S&P 500 stood at 32.5% in October 2014, slightly below its 32.9% average since 1999.
6. The payout ratio has averaged closer to 52% since the 1930s, according to S&P Dow Jones Indices.
7. S&P 500 companies, in aggregate, have been raising their stock dividend payouts just enough to offset the increase in stock prices.
8. From 12/31/09-09/30/14 (period in chart), the S&P 500 posted a price-only return of 76.87%, just below the 81.5% increase in stock dividend distributions.
9. Low bond yields have made it easier for companies to maintain their low dividend payout ratios, in our opinion. It will be interesting to see if that changes should bond yields rise in the months and years ahead.

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