

“It’s tough to make predictions, especially about the future.”  
-Yogi Berra

# Why Dividends Matter

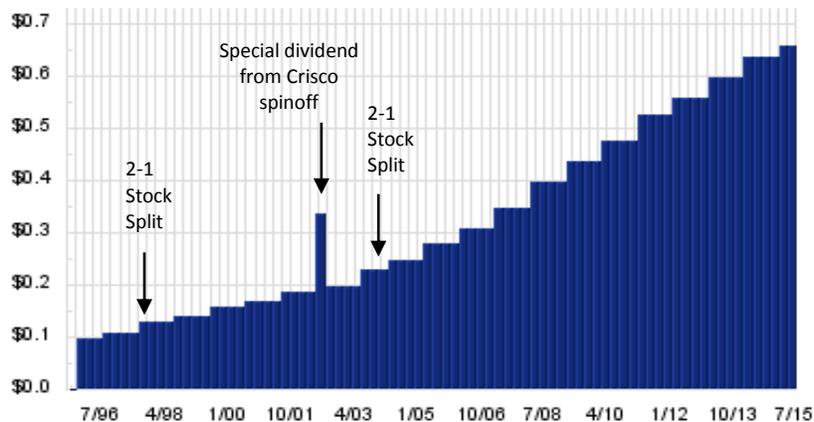
Quarter 3, 2015



## Example:

Assume you bought enough Procter and Gamble (P&G) shares on September 1, 1995 to result in those shares paying you \$400 of annual dividend income. Over the last 20 years you held onto those shares, riding the stock price up and down. You continued to receive dividend payments each year in cash. In 2015, how much do you expect to receive for the year in dividends from the shares you purchased?  
**A. \$400      B. \$617      C. \$1,324      D. \$10,600** (answer below)

Procter and Gamble 20 Year Dividend History<sup>1</sup>



TickerTech.com Sep 29, 2015

- Definition of dividend – a payment by a corporation to its shareholders usually as a distribution of profits.
- PG has increased dividends for 58 consecutive years – the stock price moves up and down with investor sentiment, but see that the dividend never went down. If PG said they were going to pay you \$2 in dividends for each share you own, they paid it regardless of what the stock price did.
- Annual growth of PG dividend the past 3 years is 7.2% - imagine getting a raise from work of over 7% each year for the past three years.

## The Power of Dividends <sup>2</sup>

1. Dividend-paying stocks can help investors deal with volatile markets, low fixed income yields, and the need to preserve assets while providing retirement income.
2. Owning stocks that regularly increase their dividends can be a useful hedge against inflation.
3. The effect of dividend reinvestment is similar to the miracle of compound interest on a savings account. The more frequently the dividends are issued and reinvested, the greater the compounding effect and the higher the annualized rate

Thank you for the privilege to serve you, for keeping us in mind when you talk with friends and family and for your past referrals.

Your team at Kehoe Financial Advisors

<sup>1</sup>Ticker Tech.com September 29, 2015

<sup>2</sup>Advisors Asset Management, Dividend-Paying Stock, The Power of Dividends



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Answer: D