



Trader Gerard Farco, center, works on the floor of the New York Stock Exchange. U.S. stocks struggled Monday to extend a rally from their best week of the year. Dividend payments are back to record levels even though stock prices, as measured by the Standard & Poor's 500, are still more than 10 percent below the peak they hit in October 2007. RICHARD DREW/AP

Dividend-paying stocks on track to set record

Shareholders may see \$263 billion this year, topping 2008 level, analysts say

By Matt Krantz
USA TODAY

Dividend-hungry investors are finally getting their due, and in a big way.

Companies are on pace to pay a record \$263 billion in dividends to shareholders over the next year, topping the \$253 billion they were paying as of June 2008, S&P Capital IQ says.

Dividend payments are back to record levels even though stock prices, as measured by the Standard & Poor's 500, are still more than 10 percent below the peak they hit in October 2007.

"We're seeing good dividend increases across the board," said Richard Helm of Cohen & Steers Dividend Value fund. "Companies are running very profitable and cash-rich right now."

Dividend payments setting new highs shows improving:

» **Fundamentals of businesses.** Coming off a banner year for earnings when profit at S&P 500 companies jumped 16 percent, Corporate America is sitting on a record of more than \$1 trillion in cash.

Investors have been clamoring to get some of that cash returned to them, says Robert Maltbie of Singular Research. They are getting their wish: The dividends to be paid out by companies this year are already 39 percent higher than it was in August 2009, S&P Capital IQ says.

» **Health of banks.** The biggest new driver for dividend growth is coming from the banks. Banks, which accounted for a third of the dividends paid out in the early 2000s, slashed them in 2009. That year, bank dividends were just 9 percent of all dividends paid. But many banks are reinstating or increasing dividends after the results of

last week's stress tests. Banks account for 13 percent of dividends, and that's expected to rise, said Kevin Shacknofsky of Alpine Dynamic Dividend fund.

» **Returns for investors.** In an era of low interest rates, dividend increases are vital for investors seeking rising returns, Helm said. S&P 500 dividend stocks have an average yield of 2.1 percent, which rivals the 2.3 percent yield of 10-year U.S. Treasuries. And analysts expect dividends to rise further.

There's growth coming from sectors that traditionally haven't paid large dividends, such as technology, Shacknofsky said.

And companies can afford to pay more. They are paying out just 30 percent of their earnings as dividends, down from the 35 percent they've paid in recent years and 52 percent long-term average, Maltbie said. "Dividends are going higher," he said. "Investors are demanding it. They want cash."