The importance of dividends for stock investors

Dividends are the only way investors can collect cash from their stock investments without having to sell them. Dividends are also one of the oldest gauges investors can use to help evaluate the financial health of a company.

The basics

Essentially, dividends are payouts that some companies make to shareholders as a return on their investment. The money paid comes from a company's earnings, and it is generally seen as a reflection of the company's past performance as well as its potential for the future. Older, more established companies are more likely to pay dividends than newer firms.

Dividends are often paid quarterly at a pre-announced rate that gives shareholders a predictable payout for that quarter, regardless of daily share price fluctuations. Dividends are taxed at capital gains rates, which are lower than ordinary income tax rates.

Potential benefits of dividend-paying stocks

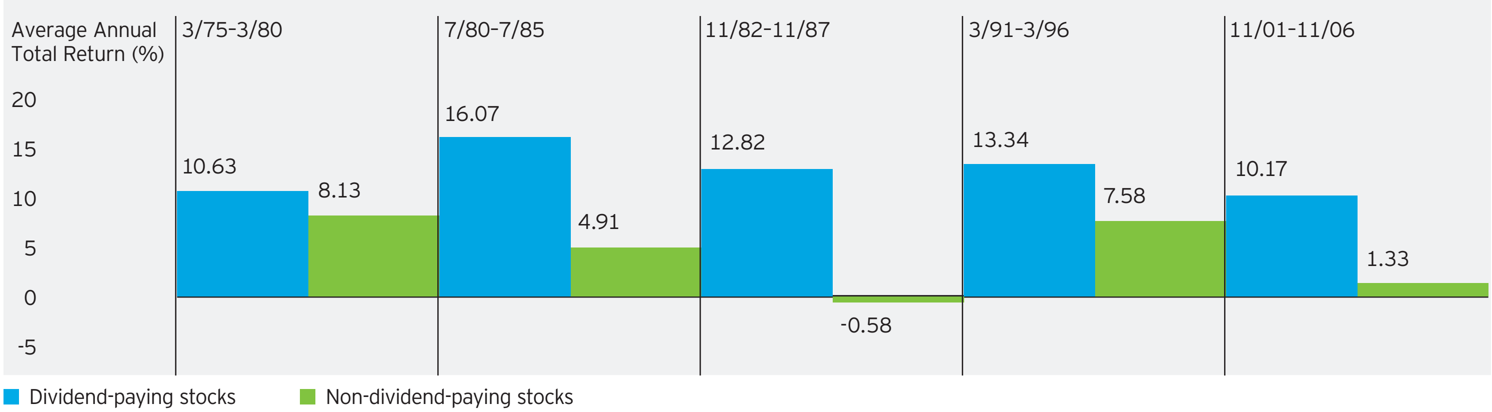
They add up. Even small dividends, when paid consistently, may add up over time, giving you the potential to eventually recoup your investment.

They may rise. Many companies raise their dividends periodically, which may help the payments keep up with inflation.

They offer you choices. When you receive a dividend, you choose what you want to do with the cash flow – reinvest in the company that issued the dividend, invest in a different company or take the cash.

Keep in mind, however, that the payment of stock dividends is never guaranteed and may vary over time.

Dividends have driven returns: Dividend-paying stocks have outperformed non-payers
S&P 500 payers vs. non-payers for the five-year period following every recession since 1972[1]



1 Source: All data is sourced from Ned Davis Research Inc., December 2016. Further distribution prohibited without prior permission. Copyright 2017 © Ned Davis Research, Inc.
All rights reserved. *Past performance does guarantee future results.*
S&P 500 Index past performance is not indicative of future results. Index performance is shown for illustrative purposes only and is not intended to represent historical or to predict future performance of any specific investment. Indexes are unmanaged and an investor cannot invest in an index. They do not include any fees or charges. Returns based on monthly equal-weighted geometric average of total returns of S&P 500 component stocks, with components reconstituted monthly. "Standard & Poor's" and "S&P" are trademarks of The McGraw-Hill Companies, Inc.

Reinvesting your dividend, rather than spending it, could be a viable way to grow your money at a faster pace.

Understanding the language of dividends

Declaration date: The day a company's board of directors announces the dividend for the quarter

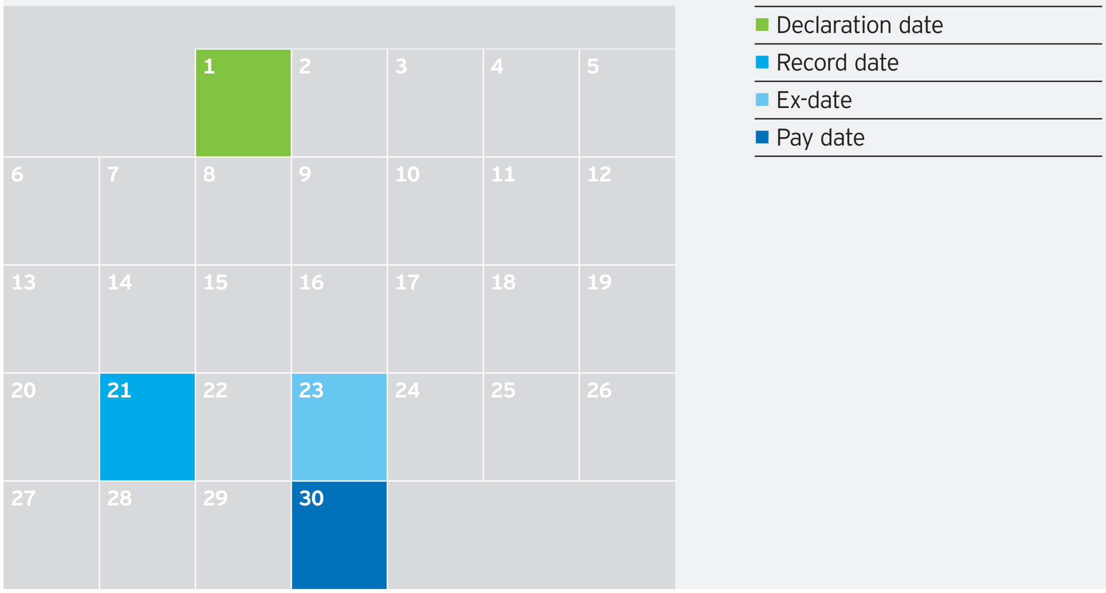
Record date: The date an investor must be listed as a shareholder of record in order to receive the dividend

Ex-date: On or after this date, the security trades without its dividend.

- If you buy a dividend paying stock one day before the ex-date, you still get the dividend.
- If you buy on the ex-date, you won't get the dividend.
- If you want to sell a stock and still receive a declared dividend, you need to sell on (or after) the ex-date.

Payment date: The date the shareholder receives the dividend.

Important dates for dividend-paying investments



For illustrative purposes only

Talk to your financial professional

Whether your goal as an investor is to seek future growth or increase your income potential – or both – discuss with your financial professional the potential role that dividend-paying stocks can play in your portfolio.

Explore High-Conviction Investing with Invesco