

Cash, Flowing.

(Or, the wonder of dividends.)

ONE DAY IN JULY

FINANCIAL ADVISORS

The importance of receiving maximum dividends cannot be overstated. John Bogle, the founder of Vanguard, gave a speech to a financial regulatory body in 2007, demonstrating that 95% (yes, you read that right: 95%) of the compound long-term return of the S&P 500 from 1926 to 2007 was due to dividend income. \$10,000 invested in 1926 without dividends was worth \$1,225,321 in 2007, but with dividends reinvested it was worth a stunning \$34,094,516.

Dividends of the S&P 500

Investing is the art of buying future cash flows. The cash that you receive as an owner of shares is called a dividend. Dividends have exhibited more stability than stock prices.

This chart shows the per-share dividends, by year, of the S&P 500. The S&P 500 comprises 500 of America's largest public corporations.

■ = Year where dividend per share increased.	1960	\$1.98
■ = Year where dividend per share decreased.	1961	\$2.04
	1962	\$2.15
	1963	\$2.35
	1964	\$2.58
	1965	\$2.83
	1966	\$2.88
	1967	\$2.98
	1968	\$3.04
	1969	\$3.24
	1970	\$3.19
	1971	\$3.16
	1972	\$3.19
	1973	\$3.61
	1974	\$3.72
	1975	\$3.73
	1976	\$4.22
	1977	\$4.86
	1978	\$5.18
	1979	\$5.97
	1980	\$6.44
	1981	\$6.83
	1982	\$6.93
	1983	\$7.12
	1984	\$7.83
	1985	\$8.20
	1986	\$8.19
	1987	\$9.17
	1988	\$9.75
	1989	\$11.06
	1990	\$12.09
	1991	\$12.20
	1992	\$12.39
	1993	\$12.58
	1994	\$13.17
	1995	\$13.79
	1996	\$14.90
	1997	\$15.50
	1998	\$16.20
	1999	\$16.69
	2000	\$16.07
	2001	\$15.74
	2002	\$15.96
	2003	\$17.88
	2004	\$19.01
	2005	\$22.34
	2006	\$25.04
	2007	\$28.14
	2008	\$28.45
	2009	\$21.97
	2010	\$22.65
	2011	\$26.53
	2012	\$31.25
	2013	\$34.90
	2014	\$39.55
	2015	\$43.41
	2016	\$45.70
	2017	\$48.93
	2018	\$53.61
	2019	\$56.24

During the past 60 years, dividends increased in 54 years and fell in 6 years.

Source: Professor Aswath Damodaran, NYU Stern School of Business, 1960-2019.

Source: John Bogle Financial Markets Resource Center. The Bogle example covers a long period of time, more than the average investing lifetime. It is meant to illustrate the importance of dividends.

An investor cannot invest directly in the S&P 500, a tracking index fund must be used. Due to fund fees, proportional dividend payouts may be slightly lower than shown here by a few hundredths of a percent.

“Do you know the only thing that gives me pleasure?” once mused John D. Rockefeller. “It’s to see my dividends coming in.”

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