

# **DIVIDENDS BECOMING MORE POPULAR**

## **FEBRUARY 2007**

*“Are investors waking up and smelling the dividends?”*

According to Eaton Vance Corp’s Eighth Annual Investor Study found that 45% of surveyed Americans stated that they have increased their investments in dividend paying securities over the past three years compared with only 16% who said they have decreased dividend investments. 73% of Americans surveyed agreed with the statement, *“Firms that pay dividends tend to be predictable cash generators, and healthy dividends are a sign of financial strength.”* The survey also cites that 58% of investors state that they invest in securities paying dividends.

We are encouraged by this significant attitude adjustment by American investors, however, there is still a disconnect in the numbers. If 73% believe in the predictability and financial strength of dividend paying securities, why did only 45% of Americans increase their holdings in dividend securities, and why did 16% decrease those holdings?

The problem is that the financial world fails to demonstrate how profitable dividends can be. We have written countless articles over the years hailing the accolades of dividends and compounding interest. Most of the business press ignores economic and investing realities because it would render many of its current programming useless and sponsors troubled.

In the June 2006 edition of the *Markowski Monthly* we articulate our *Rules of the Road*. Rule number one deals with the power of dividends.

**Rule #1 Compounding, the royal road to riches.** Utilize the best safe yields you can find and stick with them. Albert Einstein described compounding as the eighth wonder of the world; it may not be as exhilarating as chasing the latest fad, but it is certainly more lucrative. There is a story of an ancient Athenian merchant entrusted with a large sum of money to establish a trust fund to run for 2,000 years. This Athenian pocketed all the money except a single Drachma, which he invested in Athenian government bonds paying 3 percent compounded annually. He didn't live long enough to see the results, but after 2,000 years that Drachmae wound up being worth more than all the assets on the Earth.