

# Apple Lent Weight To Dividend Comeback In 1Q

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A dividend comeback that picked up speed last year got a jolt of new momentum recently when the biggest payer yet jumped on the bandwagon.

If 2011 was the year investors enjoyed a dramatic rise in dividend payments, 2012 is notable already as the year Apple will resume paying one. The world's most valuable company committed last month to shelling out nearly \$10 billion in its first year of dividend payments since 1995.

Apple's much-heralded announcement helped build on the momentum of 2011. Nearly 42 percent of the approximately 10,000 companies that are publicly traded in the United States now pay a cash dividend, up slightly from 41 percent in the fourth quarter of 2011. Some 677 companies increased their dividends. All told, payouts increased by a net \$24.2 billion.

"This is a good year to stick with your dividend payers and let the market take care of itself," says Josh Peters, editor of the Morningstar newsletter DividendInvestor.

Over the long term, their value is hard to dispute. Dividends have represented 42 percent of stocks' total return dating to 1926, according to Standard & Poor's.

A look at noteworthy dividend developments in the first quarter:

**BIG APPLE PAYOUT STILL MODEST:** Although Apple Inc. is the largest company by market cap to pay a dividend, its total first-year payout of \$9.98 billion — \$2.65 per share in the quarter beginning in July — will still trail AT&T Inc.'s \$10.43 billion. And its dividend yield of 1.8 percent, based on its stock price when the announcement was made, is considered just middling.

The company's long-term plans for its dividend remain unclear. "You could buy Apple for all sorts of reasons," Peters says, "but I wouldn't buy it for the dividend."

**TECH COMES AROUND:** Technology companies are gradually shedding their reputation for being stingy with dividends. Flush with cash, more are sharing the money with investors rather than just buying back their own shares. The tech sector is now the second-biggest dividend contributor behind consumer staples among 10 industries in the S&P 500. Besides Apple's move, other tech companies initiated their dividend, such as SAIC Inc., or increased their payments, such as Applied Materials Inc., Qualcomm Inc. and Xilinx Inc.

**BANKS ON BOARD:** Major lenders increased their dividends last month after the Federal Reserve cleared the way for them to do so. Among the increases:

— Wells Fargo & Co., 83 percent;

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- U.S Bancorp, 56 percent;
- State Street Corp. , 33 percent;
- BB&T Corp., 25 percent;
- JPMorgan Chase & Co., 20 percent; and
- American Express Co., 11 percent.

Banks had been forced to cut their dividends to preserve cash after the financial crisis that peaked in September 2008, when the industry was propped up by a \$700 billion government bailout package.

**RAISES OUTNUMBER CUTS 22 TO 1:** The 677 dividend increases compared with 510 in the first quarter of 2011. They included such household names as Colgate-Palmolive Co., Staples Inc. and Wal-Mart Stores Inc. There were decreases in the quarter by 31 of the approximately 7,000 that report dividend information to S&P Indices, including Frontier Communications Corp. and News Corp.

The nearly 22-to-1 ratio of positive to negative actions made it the best first quarter for dividends since 2007, the year before the market crumbled.

**YIELDS STILL SOLID:** The dividend yield measures annual payouts to shareholders against a company's stock price. Yields decreased to 2.6 percent at the end of the first quarter from 2.8 percent at the end of December. That's because the yield automatically becomes a smaller percentage as a stock price rises. The current average yield is still relatively high, says S&P senior analyst Howard Silverblatt.

**HISTORY OF CONSECUTIVE INCREASES:** ATM maker Diebold Inc. raised its dividend for the 59th consecutive year — the longest such streak, according to Morningstar's Peters. Close on its heels is auto and industrial parts distributor Genuine Parts Co., which increased its dividend for a 56th straight year.

**TAX CHANGES LOOM:** Dividends are set to be taxed as normal income again in 2013 unless Congress extends the current, historically low rate of 15 percent. Higher rates would make dividends less appealing to many investors, but wouldn't necessarily cause dividend stock prices to decline.

With taxes also to rise on investment income, Peters doesn't think the dividend tax rate hike would have much of an impact on dividends. Tax policies over the years haven't dissuaded companies from paying dividends, he says, and rates will remain modest by historical standards.

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