

Advertisement



Become a member of the USA TODAY community now! Log in | Become a member What's this?



Money » Markets Most Active Stocks Commodities Currencies Key Interest Rates Stock Screener More Markets

GET A QUOTE: GO DJIA 10,836.15 -52.68 NASDAQ 2,398.76 -16.48 as of close 3/24/2010

Companies cut dividends in '09 at a level not seen since 1930s

Updated 12/24/2009 11:40 AM | Comments 43 | Recommend 15 E-mail | Save | Print | Reprints & Permissions | RSS

By Matt Krantz, USA TODAY

- Share Yahoo! Buzz Add to Mixx Facebook Twitter More Subscribe myYahoo iGoogle More

INVESTING TOOLS

MANAGING YOUR MONEY: Sign up for our free e-mail newsletter. Every Friday, you'll get a week's worth of USA TODAY's personal finance news and columns.



READERS' CHOICE: See the 50 stocks that appear most in USATODAY.com reader portfolios.

YOUR PORTFOLIO: Create free portfolios at USATODAY.com to track your stocks or mutual funds. Click here to get started.



STOCK, FUND, ETF SCREENERS: Market screener (most active stocks), mutual fund finder, ETF screener, intraday stock screener.

ASK MATT ABOUT STOCKS: USA TODAY's Matt Krantz answers your questions daily at money.usatoday.com.



Stocks might have surged back nicely, but the damage to dividends could take years to repair.

Companies in the Standard & Poor's 500 are expected to slash what they pay to shareholders for all of this year by \$52.6 billion, or 21%, from 2008, S&P says.

EARNINGS: What companies are reporting today?

That's the worst year for dividend cuts on a dollar basis, and the worst on a percentage basis since the 39% cut in 1938.

This dividend drought could curtail what investors expect from these cash payments for years to come.

"It was historic," says Kevin Shacknofsky, portfolio manager of the Alpine Dynamic Dividend fund. "If companies needed to raise money, the easy way was to cut dividends."

Cuts to dividends have been especially painful, since they historically account for 40% of stock investors' total returns. Thankfully, though, the strong 24% price rise in the S&P 500 has helped mitigate the dividend cuts.

Still, investors are hopeful that dividends will regain their footing because of:

•Signs the worst is past. Companies slashed their dividends so furiously, most of the cuts are over, says S&P's Howard Silverblatt. Companies cut dividends by \$42 billion in the first quarter of 2009, beating the previous \$23.4 billion record cut in the fourth quarter of 2008.

But dividends are on the mend. No S&P 500 companies have cut their dividend in a month and a half, and 198 increased their dividends this year, down 12% from 2008, but still a start.

•Expectations of an earnings rebound. S&P 500 companies are forecast to increase their earnings by nearly 35% in 2010. As profits recover, companies can afford to restore or boost their dividends. S&P 500 companies are expected to increase their dividends 6.1% in 2010, S&P says.

•Skepticism of stock buybacks. Tax laws now currently favorable toward dividends are due to expire in 2010. That's a strike against dividends when companies consider what to do with extra cash. Still, investors are likely to demand dividend increases instead of stock buyback programs, Shacknofsky says. Companies bought record amounts of their own stock at the market peak in 2007 only to cut back on buybacks when the market was

Featured video



NCAA action Reid Cherner and Tim Gardner talk about the Sweet 16 games.



Caught on tape Raw video: Dash cam captures cop car crash.



Talking Tech Gogii's developers adapt their textPlus app for the iPad.

More: Video

Related Advertising Links

What's This?

Hot Stock Alert - EVSO Solar Power Your Portfolio With Evolution Solar... www.EvolutionSolar.com

Waco: Mom Discovers \$3 Whitening Trick Dentists Do NOT Want You To Know About This Teeth... ConsumersDigestWeekly.com

What's this?

Real estate

Real solutions for your real estate needs.



Choose from the selections below:

- Customized financial solutions • Search properties

bottoming in 2009.

Even so, dividends have a long way to go. Payouts in 2010 are expected to be nearly 17% below 2008's level, S&P says. It might be until 2013 before investors ever enjoy 2008-type dividends again.

"Dividend investors who are true to the cause will see modest benefits in 2010" and beyond, says Daniel Peris, fund manager at [Federated Investors](#).

Selected for you by a sponsor:

[11 daring predictions for 2010](#) (Computerworld)

You might also be interested in:

[Repaying TARP bailout funds lifts banks' stocks](#) (USATODAY.com in Money)

[Finding the premium or discount of an ETF is easy](#) (USATODAY.com in Money)

[Camp Milton, Fla.: Little-known Civil War site](#) (USATODAY.com in Travel)

[Prepare now for the next stock correction - there will be one](#) (USATODAY.com in Money)



Posted 12/23/2009 8:56 PM

Updated 12/24/2009 11:40 AM

E-mail | Save | Print | Reprints & Permissions | [RSS](#)

To report corrections and clarifications, contact Reader Editor **Brent Jones**. For publication consideration in the newspaper, send comments to letters@usatoday.com. Include name, phone number, city and state for verification. To view our corrections, go to corrections.usatoday.com.

Guidelines: You share in the USA TODAY community, so please keep your comments smart and civil. Don't attack other readers personally, and keep your language decent. Use the "Report Abuse" button to make a difference. [Read more](#).

You must be logged in to leave a comment. [Log in](#) | [Register](#)

Post this comment to Facebook?

Comments: (43) Showing: [Newest first](#) [New: Most recommended!](#)



[Guarana](#) (61 friends, [send message](#)) wrote: 12/27/2009 1:29:35 AM
slash what they pay to shareholders for all of this year by \$52.6 billion
=====

But who's gonna buy the mega mansions, the ocean-going yachts and Ferrari's? There isn't enough Saudi oil-princes to support these critical industries.

[Recommend](#) | [Report Abuse](#)



[DONTTREAD](#) (17 friends, [send message](#)) wrote: 12/26/2009 1:19:01 PM
No Dividends! Shows the so called Recession isn't really quite over yet, but you wouldn't know it by the lying hoopla in the media and on Wall Street. "Level not seen since the 1930s", the pulse on Main Street will continue to give Investors the edge if they heed to it. Which is Investing in gold, paying off your debts, commodities, and self-sufficiency. A fictitously propped up US economy by bailouts and a devaluated dollar hold little returns for Investors in the Wall Street Casino!

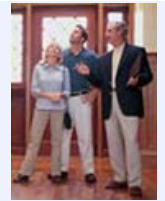
[Recommend](#) 2 | [Report Abuse](#)

nationwide

• Full service relocation assistance

• Apartments for rent in your area

• Home improvement options



[Click here to begin](#)

powered by

Financing Options:

Need help financing or refinancing a home?

[Click here](#)

Personal Finance E-mail Newsletters

Sign up to get:

- Tips on managing money
- Latest financial news
- Jobs, economy, taxes and more



[Sign Up Now](#)

