

Why We Don't Use the S&P 500® for Dividends

Our goal is shown on the front of the newsletter each month:

Our goal is to build an income stream sufficient to meet your retirement needs. We also want the income stream to increase over time to offset inflation. To do this, we invest in a portfolio of common stocks of some of the best, high quality, financially strong companies in the world.

While the Standard & Poor's 500® is made up of 500 of the largest companies in the United States, we elect to use the Schwab US Dividend Equity (SCHD) as our core investment. SCHD follows the Dow Jones US Dividend 100 Index (DUSD), comprised of 100 high quality, high dividend paying stocks.

You may have wondered why we DON'T include the S&P 500® as an investment in your portfolios. Here is our answer...

We use SCHD rather than the S&P 500® because we expect we will collect *MORE* dividends from SCHD over your retirement years than we would from the S&P 500®.

Review the projection on the next page.

1. As of 3/31/24, the S&P 500® only had a yield of 1.40%. Of the 500 stocks in the S&P 500®, only 404 pay dividends. For example, only 37 of the 65 technology companies in the S&P 500® pay dividends.
2. The Dow US Dividend 100 (DUSD) had a yield of 3.81% as of 3/31/24. **To be selected for the index, all stocks must have paid dividends for at least 10 years.** The dividend yield for DUSD has consistently been higher than the S&P 500®.

Over the past 10 years, S&P 500® dividends have grown at an annualized rate of 7.23%. For purposes of this projection, we assume Dow Dividend 100 dividends only grow by the estimated inflation rate of 3%.

Since the S&P 500® dividends are assumed to grow faster, eventually the yearly dividends *would* exceed the DUSD dividends—but not until year 26!

Over the 30-year period, the cumulative dividends collected for DUSD would be over 30% greater than the S&P 500® dividends.

SUMMARY

The Dow US Dividend 100 Index is likely a much better source of dividends than the S&P 500®. It is a good core investment for us to use to build an income stream for your retirement.

Assumed Investment = \$100,000

Dow US Div. 100 (DUSD)			S&P 500®			
3/31/24 Yield = 3.81%			(1)	3/31/24 Yield = 1.40%		(1)
Est. Yearly Increase = 3%			(2)	Est. Yearly Increase = 7.23%		(3)
	Projected Yearly Dividends	Cumulative		Projected Yearly Dividends	Cumulative	
1						
2	\$ 3,810	\$ 3,810		\$ 1,400	\$ 1,400	
3	3,924	7,734		1,501	2,901	
4	4,042	11,776		1,610	4,511	
5	4,163	15,940		1,726	6,237	
6	4,288	20,228		1,851	8,088	
7	4,417	24,645		1,985	10,073	
8	4,549	29,194		2,128	12,201	
9	4,686	33,880		2,282	14,483	
10	4,826	38,706		2,447	16,930	
11	4,971	43,677		2,624	19,554	
12	5,120	48,798		2,814	22,368	
13	5,274	54,072		3,017	25,385	
14	5,432	59,504		3,235	28,621	
15	5,595	65,099		3,469	32,090	
16	5,763	70,862		3,720	35,810	
17	5,936	76,798		3,989	39,799	
18	6,114	82,912		4,277	44,077	
19	6,297	89,209		4,587	48,664	
20	6,486	95,695		4,918	53,582	
21	6,681	102,376		5,274	58,856	
22	6,881	109,257		5,655	64,511	
23	7,088	116,345		6,064	70,575	
24	7,300	123,645		6,503	77,078	
25	7,519	131,165		6,973	84,051	
26	7,745	138,910		7,477	91,528	
27	7,977	146,887		8,017	99,545	
28	8,217	155,104		8,597	108,142	
29	8,463	163,567		9,219	117,361	
30	8,717	172,284		9,885	127,246	
	8,979	181,262		10,600	137,846	

- (1) Per spglobal.com
- (2) Estimated inflation rate
- (3) Actual increase 2013 - 2023