

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%		3/31/24 Yield = 1.40%	
Est. Yearly Increase = 3%		Est. Yearly Increase = 7.23%	
Projected Yearly Dividends	Cumulative	Projected Yearly Dividends	Cumulative
1			
2	\$ 3,810	\$ 1,400	\$ 1,400
3	3,924	1,501	2,901
4	4,042	1,610	4,511
5	4,163	1,726	6,237
6	4,288	1,851	8,088
7	4,417	1,985	10,073
8	4,549	2,128	12,201
9	4,686	2,282	14,483
10	4,826	2,447	16,930
11	4,971	2,624	19,554
12	5,120	2,814	22,368
13	5,274	3,017	25,385
14	5,432	3,235	28,621
15	5,595	3,469	32,090
16	5,763	3,720	35,810
17	5,936	3,989	39,799
18	6,114	4,277	44,077
19	6,297	4,587	48,664
20	6,486	4,918	53,582
21	6,681	5,274	58,856
22	6,881	5,655	64,511
23	7,088	6,064	70,575
24	7,300	6,503	77,078
25	7,519	6,973	84,051
26	7,745	7,477	91,528
27	7,977	8,017	99,545
28	8,217	8,597	108,142
29	8,463	9,219	117,361
30	8,717	9,885	127,246
	8,979	10,600	137,846

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