

Factors Driving a Company's Dividend Policy

This week's AAll **Weekly Digest** highlights these "must-read" AAll articles:



The Factors Driving Dividend Policy

An analysis of global dividend policies attributed the rationale for companies to pay and raise their dividends to many factors, including communicating information, so-called "agency costs," tax policy and a company's maturation.

A Dividend Approach to Judging the Value of Stocks

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CFA*

Investors are always seeking undervalued stocks to add to their portfolios while pruning those that are overvalued. A stock's valuation can be judged by comparing its current dividend yield to the historical range and analyzing the payout ratios.



The Effect of Dividend Changes on Expected Cash Flows

Dividend announcements and changes are perceived as signaling information about a company's financial prospects. However, new research points to a link between dividend announcements and future changes in cash flow volatility.

The Role of Leverage and Quality in Dividend Changes



Dividend increases are typically met with a positive reaction from investors, while dividend cuts are typically met with a negative reaction. Whether these changes signal positive or negative information, however, depends on the quality of the company and its leverage.

Our [Member Question](#) for this week is:

Legislation was introduced last week in the U.S. Senate aimed at breaking up the nation's six biggest banks—JPMorgan Chase & Co., Bank of America, Citigroup, Wells Fargo, Goldman Sachs and Morgan Stanley. The "Too Big to Fail, Too Big to Exist" bill would cap the size of the largest financial institutions so that a company's total exposure is no more than 3% of GDP, about \$584 billion today, the bill states. The bill would also address large nonbank financial service companies such as Prudential, MetLife and AIG. These "Too Big

to Exist” institutions also would no longer be eligible for a taxpayer bailout from the Federal Reserve and could not use customers’ bank deposits to speculate on derivatives or other risky financial activities.

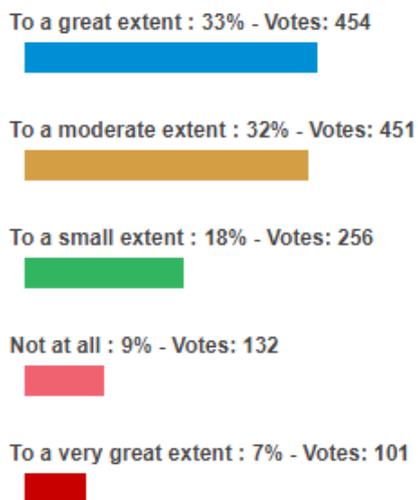
Do you support this legislation?

Vote Now »

Vote to answer this week’s Special Question: *Do you think such legislation would protect consumers and the U.S. economy? What do you think about this legislation?*

Last Week’s Results:

To what extent does your confidence (or lack thereof) in a company’s CEO impact your decision to invest in it?



Poll results are as of 9 a.m. (Central) on Monday. 1,438 respondents.

[AAII Survey: CEO Impact on Retail Investment Decision](#)



The recent actions of Elon Musk have put a spotlight on CEOs and the impact they can have on stock prices. While this is an extreme example, the philosophy and culture a CEO cultivates can be a driver of the company's performance and, ultimately, its share price. The latest survey question asked how much stock our readers place in a company's CEO when investing in the company. We followed up by asking what qualities our readers look for in a CEO.



[The Individual Investor's Guide to the Top Mutual Funds 2018](#)

The latest update to AAI's annual mutual fund guide includes 719 funds in the printed version and hundreds more in the expanded online data tables, covering nearly 1,600 funds in all. The guide provides performance and risk statistics for individual funds as well as index and category benchmarks.

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