
# Do Dividends Always Deliver?

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A point that often comes up in our discussions with clients is whether we should only focus on investing in companies that pay dividends. This idea often comes from reading popular investing books, hearing about dividend investing in the media, and a general feeling that paying dividends indicates companies are somehow better or safer investments versus others which do not.

In our view, this is a notion that should be challenged. We decided to look at data from the last 10 years to see which S&P 500 sectors had rewarded investors the most in total return (including dividends), and then cross reference these with average dividend yields of each sector. Sectors with the best 10 year total returns were Consumer Discretionary (+187%), Healthcare (+176%), Technology (+158%), and Industrials (+115%). Sectors with the worst 10 year total returns were Energy (+12%), Financials (+14%), Materials (+70%), and Utilities (+94%). Bringing long term average dividend yields into the picture, these four worst performing sectors over the last 10 years happen to be the four highest yielding sectors on average over the last 25 years.

Our purpose in writing this is not to say that dividend investing is a poor strategy. There are plenty of examples of companies that have rewarded shareholders greatly over the years with long track records of paying, and especially raising, their dividends. However, we just wish to highlight that, as with anything else, focusing only on dividends is not a foolproof strategy when it comes to investing. There are many reasons why this may be the case, but we will leave that topic for a later date.

As always, feel free to reach out to us anytime with questions or to share ideas for future topics. For more information on the performance of different sectors over time, a great resource is the Sector SPDR ETFs page linked below.

http://www.sectorspdr.com/sectorspdr/sectors/performance

Sincerely,
Di Iorio Family Wealth