

Dividends — Word Search

Answer Key

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■ 8 Terms & Definitions

<p>YIELD</p> <p>Dividend yield is the annual dividend payment expressed as a percentage of the stock price. A \$40 stock paying \$2 annually has a 5% yield. Higher yields attract income investors but may signal a struggling company unable to reinvest profits for growth.</p>	<p>PAYOUT</p> <p>The payout ratio is the percentage of earnings a company distributes as dividends. A 40% payout ratio means the company pays out \$0.40 of every \$1 earned. Lower ratios leave room to grow dividends; ratios above 80% may be unsustainable.</p>
<p>DRIP</p> <p>A Dividend Reinvestment Plan (DRIP) automatically uses dividend payments to purchase additional shares rather than paying cash. DRIPs harness compounding — each reinvested dividend buys more shares, which generate more dividends, creating a self-reinforcing growth cycle over time</p>	<p>DIVIDEND</p> <p>A dividend is a portion of a company's earnings paid to shareholders, typically quarterly. Dividends reward investors for holding stock and signal financial health and confidence. S&P; 500 companies collectively paid over \$560 billion in dividends in 2023.</p>
<p>RECORD</p> <p>The record date is the cutoff set by a company to determine which shareholders are eligible to receive a dividend. You must own the stock by the record date to qualify for payment. The ex-dividend date is typically two business days before the record date.</p>	<p>GROWTH</p> <p>Dividend growth investing focuses on companies that consistently increase their dividends over time. These companies — called Dividend Aristocrats (25+ years) or Dividend Kings (50+ years) — provide rising income and typically signal strong underlying business fundamentals.</p>
<p>SPECIAL</p> <p>A special dividend is a one-time payment to shareholders that is separate from and in addition to a company's regular dividend schedule. Companies issue special dividends when they have excess cash from asset sales, strong earnings, or other windfalls.</p>	<p>INCOME</p> <p>Dividend income is cash received from dividend-paying stocks, typically taxed at preferential qualified dividend rates (0%, 15%, or 20%) for most investors — lower than ordinary income tax rates. This tax advantage makes dividend investing attractive for income-focused portfolios</p>