
# When Juicy Dividend Yields Are Like Biting into Bitter Lemons

## Description

One of the best feelings investors can get is a feeling of accomplishment.



When investors do the heavy lifting and analyze the business model or financial statements of a company, it is oftentimes tedious but sometimes very rewarding. On certain occasions, investors decide not to make an investment, and the reward is when shares of the company go down in value. In other circumstances, investors buy shares in a company and, after holding for many months or years, realize a large profit. Every investor will feel good about making money.

One of the best ways to feel vindication when making an investment decision is when, as investors, we receive a dividend. The cash payment that shows up in the brokerage account usually offers positive reinforcement on a quarterly basis, but sometimes on a monthly basis.

Although dividends were not historically as important as today, many investors still choose to focus on investments that pay dividends. The problem (unfortunately) is that too many investors do not do the analysis that is needed before investing to ensure that the "juicy" dividends they expect to receive don't turn out to be the equivalent of biting into a bitter lemon. Enter **Dream Office Real Estate Investment Trst** (TSX:D.UN).

Approximately 18 months ago, shares traded near the $17 range and offered monthly dividends of $0.18666 per share per month. The annualized yield was in excess of 13% per year, which was clearly unsustainable.

While many retail investors only saw the juicy dividend and did not look behind the curtain to figure out its sustainability, the market was clearly pricing in a dividend cut. Although the stock traded down at that time, in the year following the dividend cut, the share price stabilized, and patient investors who'd held tight while collecting a monthly dividend of only $0.125 saw shares return to a price above $20. Although $20 is substantially less than the high price of 2015 or 2014, it's still much better than the 2016 low price of under $15 per share.

Another case in point would be shares of toy maker **Mattel, Inc.** (NASDAQ:MAT), which after the invention of the iPad, saw revenues and profits decline steadily. In fiscal 2013, earnings per share were $2.58, and dividends paid per share were $1.44, or 56% of earnings. Fast forward to fiscal 2016, and earnings per share totaled no more than $0.92, and dividends paid were an astonishing $1.52 per share. Clearly, investors purchasing shares in the toy maker will be very disappointed when the dividend is cut. With a yield in excess of 6.5%, and dividends which represent 165% of earnings, the writing is clearly on the wall.

While investors need to carefully consider the revenues and earnings of each company before investing, there is no substitute for the hard work of analyzing the payout ratios and sustainability of the dividends.

Invest wisely!

**CATEGORY**

1. Dividend Stocks
2. Investing

**POST TAG**

1. Editor's Choice

**TICKERS GLOBAL**

1. NASDAQ:MAT (Mattel, Inc.)
2. TSX:D.UN (Dream Office Real Estate Investment Trust)



**PARTNER-FEEDS**

1. Msn
2. Newscred
3. Yahoo CA

**Category**

1. Dividend Stocks
2. Investing

**Tags**

1. Editor's Choice

**Date**
2025/08/16
**Date Created**
2017/06/13
**Author**
ryangoldsman