Dividends Are Making Global Investors Richer Than Ever!

Description

There are more than a trillion reasons to invest in stocks and shares, and every single one of them has a dollar-sign attached.

In 2017, global investors received an incredible $1.252 trillion in company dividends, according to the latest Janus Henderson Global Dividend Index.

That is a new record, and marks a rise of 7.7% across the year, the fastest rate of growth since 2014. Underlying growth, which adjusts for movements in exchange rates, one-off special dividends and other factors, was an impressive 6.8%.

Whether you hold individual company stock, mutual funds or exchange traded funds (ETFs), your portfolio will have felt the benefit.

Minor blip

Now is a good time to remind investors of the power of dividends, as many remain rattled by the recent bout of stock market volatility.

Rather than the end of the world, this looks like a temporary correction late into a lucrative nine-year bull run, the second longest in history. The panic is already subsiding.

Throughout it all, companies kept dishing out the dividends, and wise long-term investors kept reinvesting them back into their portfolios for growth.

Income highs

Global dividends have been driven to a new high thanks to the strengthening world economy and rising corporate confidence, Janus Henderson said.

Payouts increased in every region and almost every industry, with record-breaking increases in 11 out of 41 countries, including the US, Japan, Australia, Switzerland, Hong Kong, Taiwan, South Korea and the Netherlands.

In the US, dividend payouts grew 5.9% on a headline basis while Canada did even better, with dividends surging almost 20% to $37.5bn.

Star of the show was Asia Pacific (excluding Japan). Here, total dividends jumped 18.8% to almost $140bn, boosted by exceptionally large special dividends in Hong Kong. However, payouts in Singapore dipped from $6.6bn to $5.8bn.

Emerging market dividends grew strongly, including dramatic growth in Russia, but remain well below their 2013 peak.

Euro woe

Europe was the only disappointment, with headline growth of just 1.9% to $227bn. This was down to a weak euro during the crucial second quarter when most European dividends are paid, fewer special dividends and a handful of large companies cutting in the final quarter.

However, Germany rebounded last year with dividends growing 4.7% to $38.1bn, while in the UK underlying growth was a healthy 10%.

Dividend delight

Janus Henderson is optimistic for the year ahead forecasting underlying growth of 6.1%, with expansion continuing from every region of the world.

If the dollar remains weak then payments will translate into dollars at more favourable exchange rates, pushing headline growth to 7.7% again.

It predicts payouts totalling $1.348 trillion for 2018, yet another record.

This is a long-term wealth story, perhaps the greatest story the stock market has to tell. Since 2009, dividends have risen by almost three-quarters, and there is plenty more to come.

Yet otherwise-sensible people worry about a few weeks of share price volatility… They really should know better.

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