Dividend Paying Stocks Strategies

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Dividend Paying Stocks are often a great option to traditional income investments. Investors measure dividend value through dividend yield, which is calculated by dividing annual dividends with the current stock price. Although the stock price tends to fluctuate, it might be a good addition to ones current strategy for those willing to hold for long term. In fact, the most popular dividend strategies such as the Dogs of the Dow, DRIPS, Proprietary Dividend Capture Strategy, to name a few, are straightforward and have relatively minimal capital requirements. The typical dividend is offered by mature companies that have graduated from the growth stage and are looking to provide additional investment incentives. Dividends may also lower a stock's volatility as investors are more likely to hold dividend stocks longer than non-dividend stocks.

There are four **important dividend dates** that investors should be aware of before investing in dividend paying stocks:

Declaration date – The board of directors announces all the important dividend dates, and the amount of the dividend payments.
Ex-Dividend date – An investor must purchase the stocks before the Ex-Dividend date to be eligible for dividend payment.
Date of Record – Two days after the Ex-Dividend date. The settlement of the trade needs to occur either before, or on the date of record, for investors to be eligible for the dividend payment.
Date of payment – The registered investors will be paid.

Dividend Investing Strategies

1) The Dogs of the Dow is a high dividend yield investment strategy where the investor invests in the top 10 highest yielding Dow Jones stocks out of the 30. This strategy often offers diversification, less downside risk, and beneficial reward potential. The investor's position is rebalanced after a year and a day to take advantage of more tax-efficient capital gains. To learn more about this and other variations to this strategy, consult your financial advisor.

2) A Dividend Capture Strategy is when the investor purchases the stock before the ex-dividend date and then sells it ex-dividend, hence capturing the dividend. There may be many ways of doing this; thus it is important to work with your financial advisor to develop a strategy that best fits your needs.

3) Dividend re-investments are another effective way for investors to take advantage of dividends where stockholders can increase their holdings and accumulate the value of their investment over time. Although investors will still have to pay taxes on reinvested dividends, a reinvestment strategy may be attractive to smaller investors looking to build a larger position in a company through dollar cost averaging. Some corporations also offer specialized dividend reinvestment plans called DRIPs, which are usually free of brokerage and transaction fees. Some corporations may even offer stock at a discount to market price through their DRIP programs. Ask your financial consultant about available dividend reinvestment plans that might be suitable for you and your investment goals.

Choosing a Dividend Investment Plan

While dividend investing can provide an attractive source of income for stockholders, it is important to consider the timing and efficiency of your investments. Be aware that dividends are taxed at different rates than income, and may cause administrative hassle if done incorrectly. Consult your investment advisor to ensure that your dividend investment plan maximizes return and best fits your needs as an investor.

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