Study Reveals Investors Prefer Dividends, Generational Differences In Investing

(NAPSA)—In a recent study released by Boston-based investment manager, Eaton Vance, the vast majority of U.S. investors agreed that dividend-paying companies tend to be predictable generators of cash and healthy dividends are a sign of financial strength. The results of the nationwide study also revealed the majority of investors (69 percent) prefer that companies use dividends to return cash to shareholders rather than buy back stock.

The Eaton Vance investor survey, conducted by Penn, Schoen & Berland Associates, Inc., also revealed generational differences between investors on the subject of stock dividends. Senior investors are more likely to indicate a preference for dividends over buybacks (74 percent) than baby boomers (62 percent). GenXers also had a strong (70 percent) preference for dividends.

In a low-interest rate environment where bonds are providing less income, stock dividends have once again become popular with cash-hungry investors. Yet, only one in seven investors is aware that dividend-paying stocks in the S&P 500 Index have outperformed nondividend payers by 8.21 percent over the past 10 years (Source: Ned Davis Research). A slightly higher number of seniors—one out of five (21 percent)—answered correctly.

Seniors also have a better understanding of the income role stocks can play in an investment portfolio. Nearly half of senior investors look to stocks either primarily to provide income or as a source of both income and capital growth. By contrast, two-thirds of GenX and boomer investors say they invest in stocks primarily for long-term appreciation rather than income.

Investors across generations are joined in a lack of knowledge about the important role of dividends in historical stock market returns. Only 3 percent of investors knew that nearly two-thirds of the overall return from stocks as measured by the S&P 500 Index has historically come from reinvested dividends (Source: Ned Davis Research). Yet, senior investors were the most optimistic group on the subject of dividends, with 44 percent anticipating an increase in dividend payouts going forward as compared with 38 percent of investors overall.

“We think stocks that grow their dividends should be considered as ‘health food’ that more Americans should be adding to their financial diets,” said Duncan W. Richardson, executive vice president and chief equity investment officer at Eaton Vance. “We are optimistic that dividend payout rates across the U.S. economy will be on the rise as company managements strive to do the right thing and investors reward their efforts.”

Eaton Vance Corp. is a Boston-based investment management firm whose stock trades on the New York Stock Exchange under the symbol EV. Eaton Vance and its affiliates managed over $133.1 billion in assets as of December 31, 2006, for more than 100 investment companies, as well as individual and institutional accounts, including those of corporations, hospitals, retirement plans, universities, foundations and trusts. Before investing in any Eaton Vance Fund, prospective investors should consider carefully the Fund’s investment objectives, risks, charges and expenses. The Fund’s current prospectus contains this and other information about the Fund and is available through your financial advisor. Read the prospectus carefully before you invest or send money.