MANAGING YOUR MONEY

Investors Turn To Dividend-Paying Stocks

(NAPSA)—With stubbornly low yields on Treasuries, traditional fixed-income investors have suffered a long dry spell with little income. While long-term rates have been headed upwards of late, rising yields on longer duration fixed-income assets are but small consolation in the face of a potential rise in inflation. After all, capital depreciation has a damning effect on a bondholder's total return.

Luckily, there is another attractive option for the income-oriented investor. As we face an environment of persistently lower equity and bond returns, Boston-based investment manager, Eaton Vance, believes stocks that pay dividends will play an increasingly larger role in investment strategies—particularly those of retiring baby boomers. More investors will also come to appreciate the tax-advantaged income such equities can provide.

In a study conducted late last year by Eaton Vance, senior finance executives at dividend-paying American corporations agreed that investors are more frequently turning to stocks that pay dividends. The results of a separate Eaton Vance study of individual investors showed that a majority of the individual investors polled indeed had a positive view of companies that pay dividends. Survey respondents said they see dividend payers as predictable cash generators and view dividends as a sign of strength.

The corporate dividend survey, conducted by Penn, Schoen & Berland Associates, Inc., revealed that financial executives understand the appeal of dividends—six out of seven finance executives (86 percent) said that they considered a company's track record of increasing annual dividends as a way of exhibiting shareholder friendly behavior. Further, 80 percent said they think a firm's dividend growth rate can give investors confidence in the company's projected long-term growth potential.

Investor preference has shifted, says Eaton Vance's executive vice president and chief equity investment officer, Duncan W. Richardson, "from an emphasis on growth investing towards a more value-oriented, conservative investment style." This has not always been the case though. Richardson elaborated, "In the 1990s investors preferred companies that offered buybacks—which increase reported earnings per share-over dividends. Dividends have returned to popularity, and value investing has emerged from the doghouse."

So, why are investors turning to dividend-paying stocks now? For many, the reduction in the tax rate on dividends from a maximum rate of 35 percent to 15 percent, which took effect in 2003, appears to have affected the decision to increase investment in dividend payers. According to the study, 55 percent of investors said that the reduction in the maximum tax rate swayed them to consider investing in dividend-paying stocks. Investors have also begun putting these views into practice. Nearly half of the investors polled (46 percent) said that they have increased their investments in dividend-paying companies.

At a recent panel discussion hosted by Eaton Vance that focused on the results of its two surveys, Duncan W. Richardson, said, "As we face an environment of lower equity returns and perhaps lower bond returns, we believe dividends will play an increasingly important role in the way people think about their investments." He noted that, in light of the current low interest rate environment and the reduced tax rate on dividends, that these equities can provide a viable source of income for fixed-income investors.

"Cash dividends also give investors the ability to reinvest their returns as they deem fit," added Howard Silverblatt, panelist and senior index strategist for Standard & Poor's Index Services Unit. Many investors are recovering from stock declines earlier in the decade. Silverblatt says the reason investors are turning back to dividends is partly defensive. "They've learned that it's not about making money in the bull market years; it's about keeping it when the market goes down."

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 $118.5 billion in assets as of June 30, 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, and 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.