

Proving Grounds: 25 Years Higher Annual Dividends

By Bill Staton, MBA, CFA

On April 2 at Bloomberg.com, writer Elizabeth Stanton said, "Standard & Poor's annual list of companies that increased payouts for at least 25 years is in danger of falling below 40 for the first time since 1992 after slumping profits forced executives to conserve cash."

Later in the article, Stanton noted that S&P is considering loosening the criteria to a minimum of 20 years of consecutively higher dividends instead of 25 to boost the number of companies making the list.

I don't know how Standard & Poor's conducts its research, but our current listing of *America's Finest Companies*® published by The Staton Institute® (www.statoninstitute.com) each July contains 114 companies with a minimum 25 straight years of higher annual dividends through 2008. Furthermore, many of these companies (with their current dividend levels) will report even higher payouts in 2009 amidst what some misguided observers are labeling Great Depression Part II.

The centerpiece of my new book from John Wiley & Sons, *Double Your Money in America's Finest Companies®: The Unbeatable Power of Rising Dividends*, is that companies with a long string of rising annual dividends outperform the stock market in both good times and bad, including the Great Depression. Not only that, dividend growth in these companies historically has been able to keep up even with high inflation such as the 9.8% annual rate during the 1970s, the highest in more than a century. They can protect against both deflation and inflation and every other "flation" in between.

Most stock investors believe that price appreciation is the way to make the most money from equities, not dividends. The truth is, it's just the opposite.

In 1937 Lord John Maynard Keynes, the British economist remarked that, "In one of the greatest investment markets in the world, namely, New York, the influence of speculation is enormous. It is rare for an American to 'invest for income,' and he will not readily purchase an investment except in the hope of capital appreciation."

But John D. Rockefeller, the American industrialist, investor and philanthropist who founded Standard Oil in 1870 (now ExxonMobil) and the world's richest person ever (using today's dollars) said, "Do you know the only thing that gives me pleasure? It's to see my dividends coming in."

There are ways for the individual investor to make money in the securities markets. Buying value and holding long term while collecting dividends has been proven over and over again.

— Robert M. Sharp, author of *The Lore and Legends of Wall Street*

Cash dividends have accounted for roughly 40% of the total return on stocks dating all the way back to the inception of the S&P 500 at the end of 1925. Dividends were THE reason that stock returns were positive for the 10 years from the beginning of 1930 through the end of 1939, the period which encompassed the Great Depression.

Mark Skousen, author of *Investing in One Lesson*, has observed that investing exclusively in dividend-paying stocks will 1) help you avoid making big mistakes, 2) increase your chance of beating the market, and 3) typically provide you with less volatility than the overall market.

My money management clients have outperformed the market averages with below-average risk simply because we focus on quality dividend-paying stocks with above-average yields. Study after study has proved beyond the shadow of anyone's doubt that this is a long-term moneymaker. Plus, it's easy to understand and implement.

Today, few people are talking about growing inflation, which I believe is going to be a serious threat over the ensuing years. But the twin topics of deflation and depression are in the headlines almost every day.

In 1929 at the market's peak, the Dow 30 industrials reached the then all-time high of 381.17. Dividends paid that year amounted to \$12.80 for a yield of 3.4%. As stocks plunged to their ultimate 1932 low of 41.22, dividends plunged as well. They dropped to \$11.10 in 1930, to \$8.40 in 1931 and on down to \$3.40 in 1932, which happened to be the bottom. However, dividends never got back to the 1929

level until 1949, 20 years later.

Contrast that miserable performance in both stock prices and dividends to some of the *America's Finest Companies*® today that existed then under the same name, have paid a larger annual dividend for at least 25 back-to-back years, and are expected to maintain that streak in 2009. The number of years of rising dividends is shown after each company's name.

Abbott Labs' (36) stock price peaked in 1929 around 47 and ultimately fell to 17. The dividend was \$1.50 in 1929. By 1935 it had doubled to \$3.00, and the stock price shot up as high as 130.

Archer-Daniels-Midland's (34) stock price peaked in 1928 at 56, fell to 8 in 1932 and got back to 52 in 1935, a wild ride but with almost no principal loss over the six years. Meanwhile, dividends dropped from their high of \$3.00 in 1927-28 to \$0.75 in 1931 and then rose to \$2.00 by 1935.

Coca-Cola's (46) dividend rose from \$4.50 in 1929 to \$9.25 six years later. The stock had almost doubled its 1929 peak by 1935. **PepsiCo** (36) wasn't paying a dividend through any of the 1924-1935 period.

Pittsburgh Plate & Glass (37), now PPG Industries, had the stock price about 30% higher in 1935 than at 1929's top. The dividend was \$3.00 in 1929. In 1935 it was \$2.90.

Sherwin Williams' (29) dividend declined from \$4.125 in 1929, hit \$1.00 in 1933 and scrambled back to \$3.50 by 1935. The stock price in 1935 was 25% above 1929's peak.

Walgreen (32) didn't start a dividend until it began with \$1.00 in 1933. Two years later it had jumped to \$1.30.

Wrigley was recently acquired by Mars, but it's still worth mentioning. The stock price was the same in 1935 as it was at 1928's high. The dividend was \$3.50 in 1928. It was \$3.50 in 1935 too.

Whereas dividends for the Dow industrials collapsed 73% from 1929 into 1933 and took two decades just to recover to where they'd been, that was not true for the *America's Finest Companies*® of that day. By our reckoning, their dividends dropped only some 30% from 1928-29 highs to their 1932-34 troughs. Most then went on to higher and higher payouts.

If we are truly in another great depression today (the facts do not bear that out), *America's Finest Companies*® ought to continue to shine, even in such a horrible environment.

Bill Staton, America's Money Coach®, began his investment career as a securities analyst with *Interstate Securities* (now part of *Wachovia Securities*) in 1971. In 1986, he founded *The Staton Institute*® Inc. (www.statoninstitute.com), helping thousands increase their wealth with a common-sense value approach to investing. A frequent speaker on investing and economic issues, Staton has been profiled or quoted

in the *Wall Street Journal*, *New York Times*, *U.S. News and World Report*, *Barron's*, *BusinessWeek*, and *Money magazine*. He is the author of five books on investing and has an MBA in finance from the *Wharton School at the University of Pennsylvania*.

His latest book *Double Your Money in America's Finest Companies*®: *The Unbeatable Power of Rising Dividends* is the first installment in our new *Almanac Investor* book series. For the past 18 years Staton has produced his directory of *America's Finest Companies*®. In *Double Your Money*, *Bill Staton's* entire simple, do-it-yourself AFC system is revealed and

explained with clear step-by-step instructions, including the entire current listing of all of *America's Finest Companies*®.

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Bill Staton's 114 America's Finest Companies®
With A Minimum 25 Straight Years Of Higher Annual Dividends Through 2008

Ticker	Company	Industry	Years	Ticker	Company	Industry	Years
AWR	American States Water	Water Utility	56	CTL	CenturyTel	Telephone	35
DBD	Diebold	Ofc. Equip/Supp	55	MHP	McGraw-Hill Companies	Publishing	35
NWN	NW Natural Gas	Natural Gas	53	MSEX	Middlesex Water	Water Utility	35
PG	Procter & Gamble	Household Prods.	53	RPM	RPM International	Chemicals	35
DOV	Dover	Manufacturing	52	TGT	Target	Retail	35
EMR	Emerson Electric	Electrical Equip.	52	TRMK	Trustmark	Banking	35
GPC	Genuine Parts	Auto Parts	52	ADM	Archer-Daniels-Midland	Foods	34
PH	Parker Hannifin	Manufacturing	52	ADP	Automatic Data Process	Computer Soft.	34
TEG	Integrus Energy	Electric Utility	50	CHFC	Chemical Financial	Banking	34
MMM	3M Company	Manufacturing	50	ED	Consolidated Edison	Electric Utility	34
CINF	Cincinnati Financial	Insurance/Prop.	48	HSY	Hershey	Foods	34
VVC	Vectren	Natural Gas	48	MCD	McDonald's	Restaurant	34
KO	Coca-Cola	Soft Drink	46	MYE	Myers Industries	Manufacturing	34
CL	Colgate-Palmolive	Household Prods.	46	TDS	Telephone & Data Sys	Telephone	34
ITW	Illinois Tool Works	Manufacturing	46	WMT	Wal-Mart Stores	Retail	34
JNJ	Johnson & Johnson	Health Care	46	AVY	Avery Dennison	Manufacturing	33
LANC	Lancaster Colony	Foods	46	FDO	Family Dollar Stores	Retail	33
NDSN	Nordson	Manufacturing	45	JCI	Johnson Controls	Manufacturing	33
TR	Tootsie Roll Industries	Foods	45	MGEE	MGE Energy	Electric Utility	33
ABM	ABM Industries	Special Services	44	OTTR	Otter Tail	Electric Utility	33
CB	Chubb	Insurance/Prop.	44	BOH	Bank of Hawaii	Banking	32
PEBO	Peoples Bancorp	Banking	43	CSL	Carlisle Companies	Manufacturing	32
HRL	Hormel Foods	Foods	42	PNR	Pentair	Manufacturing	32
CWT	California Water Serv	Water Utility	41	RLI	RLI Corp.	Insurance/Prop.	32
FRT	Federal Realty Inv. Tr	RE Invest. Trust	41	TFX	Teleflex	Electronics	32
LLY	Lilly, Eli &	Health Care	41	WAG	Walgreen	Retail Drug	32
SWK	Stanley Works	Hdware. & Tools	41	WGL	WGL Holdings	Natural Gas	32
SCL	Stepan	Chemicals	41	CLX	Clorox	Household Prods.	31
FUL	Fuller, H.B.	Chemicals	40	HP	Helmerich & Payne	Contract Drilling	31
SJW	SJW Corp.	Water Utility	40	MDT	Medtronic	Medical Prods.	31
CTWS	Connecticut Water Serv	Water Utility	39	STR	Questar	Natural Gas	31
ASBC	Associated Banc-Corp.	Banking	38	ROH	Rohm & Haas	Chemicals	31
BKH	Black Hills Corp	Electric Utility	38	VAL	Valspar	Bldng. Materials	31
IRET	Investors Real Estate Tr	RE Invest. Trust	38	NC	NACCO Industries	Manufacturing	30
MSA	Mine Safety Appliances	Health Care	38	PNY	Piedmont Natural Gas	Natural Gas	30
NFG	National Fuel Gas	Natural Gas	38	STT	State Street	Banking	30
SY	SYSCO	Distributor	38	SHW	Sherwin-Williams	Bldng. Materials	29
UVV	Universal	Tobacco	38	CTBI	Community Trust Bancorp	Banking	28
WRE	Washington REIT	RE Invest. Trust	38	EV	Eaton Vance	Financial	28
BCR	Bard, C.R.	Medical Prods.	37	BEN	Franklin Resources	Investment Bank.	28
BBT	BB&T Corp.	Banking	37	LOW	Lowe's Companies	Retail	28
BDX	Becton, Dickinson	Medical Prods.	37	MTB	M&T Bank	Banking	28
GW	Grainger, W.W.	Electrical Equip.	37	ORI	Old Republic Intl.	Insurance/Multi.	28
LEG	Leggett & Platt	Household Furn.	37	WEYS	Weyco Group	Shoes	28
PPG	PPG Industries	Chemicals	37	LM	Legg Mason	Investment Bank.	27
SIAL	Sigma-Aldrich	Chemicals	37	AFL	AFLAC	Insurance/Life	26
TNC	Tennant	Manufacturing	37	APD	Air Products & Chemicals	Chemicals	26
WSC	Wesco Financial	Financial	37	BXS	BancorpSouth	Banking	26
ABT	Abbott Laboratories	Health Care	36	CTAS	Cintas	Business Services	26
BWL.A	Bowl America	Recreation	36	EGN	Energen	Natural Gas	26
FNB	F.N.B. Corp.	Banking	36	XOM	ExxonMobil	Oil	26
GRC	Gorman-Rupp	Manufacturing	36	PBI	Pitney Bowes	Ofc. Equip/Supp	26
KMB	Kimberly-Clark	Household Prods.	36	SON	Sonoco Products	Containers	26
MI	Marshall & Ilsley	Banking	36	SVU	Supervalu	Distributor	26
NUE	Nucor	Steel	36	SUSQ	Susquehanna Bancshares	Banking	26
PEP	PepsiCo	Soft Drink	36	BMS	Bemis	Containers	25
VFC	VF Corp.	Textile/Apparel	36	CLC	CLARCOR	Manufacturing	25