Investing In Dividend Stocks

July 22, 2026

Ray Czajka

What a $1,000 S&P 500 Investment 20 Years Ago Is Worth Today

One broad index fund, dividends reinvested, no stock picking and no timing. Here is what two decades of holding paid.

INVESTED IN 2006

$1,000

SPDR S&P 500 ETF

→

WORTH TODAY

$8,500+

11.2% a year, annualized

WHY OWNING THE WHOLE INDEX IS HARD TO BEAT

93%
of professional large-cap stock funds trailed the S&P 500 over those 20 years

55%+
of individual U.S. stocks underperformed Treasury bills from 1990 to 2020

2.4%
of stocks created all of the net global stock market wealth in that span

WORTH KNOWING

The S&P 500 is one index of 500 large U.S. companies, and most investors also want exposure to international stocks, smaller companies, or bonds. The lesson holds either way: owning whole markets at low cost is what did the work here.

All 7 Magnificent Seven Stocks Ranked Since the 2022 Low

Ranked by price gain from each stock's late October 2022 level to early July 2026, with the S&P 500's own return marking the line to beat.

PERCENT GAIN SINCE LATE 2022

Price return only, excludes dividends. Figures are approximate and rounded.

1	**Nvidia** NVDA AI chip demand pushed it past every other company in the group.	+1,463%
2	**Meta** META Ad revenue and profit margins recovered from their 2022 low.	+523%
3	**Alphabet** GOOG Search, YouTube, and cloud all kept growing.	+290%
4	**Amazon** AMZN Retail margins and AWS profit both improved.	+138%
Ref.	**The S&P 500 Index** A plain index fund. No stock picking required.	+109%
5	**Apple** AAPL iPhone upgrade cycles slowed down.	+98%
6	**Tesla** TSLA Deliveries grew, but so did price competition.	+76%
7	**Microsoft** MSFT A strong business bought at a rich 2022 price.	+72%

ALSO TRUE

4 of the 7 beat a plain index fund since the 2022 low. The other 3 did not, even though all seven get lumped together as the Magnificent Seven.

You are buying a portion of a company to get a share of its earnings.

A company pays dividends from earnings to attract investors to raise capital or they may invest those earnings to grow the business.

Why Are You Buying?

- Income
- Diversification
- Lower risk
- Income with growth potential
- Other

Items to Consider

- Risk (Intel & AT&T)
- Investing time horizon
- Asset allocation
- Asset location:
  - tax deferred (IRA & 401K)
  - tax free (Roth IRA)
  - taxable accounts

Knowledge of the Company

- Do you understand the business
- Company position in the marketplace
- Well established brand or newcomer
- Industry prospects
- The less you know, the greater your personal investment risk

Key Items

- Dividend yield (& stock price)
- Dividend payout history
- Dividend increase history
- Dividend payout ratio
  (total dividends paid / net income)

Other Key Items

- P/E ratio (price / earnings per share)
- Beta (volatility compared to market)
- Earnings history & future outlook
- Analyst recommendations

Expert Analysis

- Financial statements (& footnotes)
  - balance sheet
  - income statement
  - SEC 10K filing
- Company annual reports (& footnotes)
- Insider trading information
- Investment tools

Dividends & Total Returns

Picture this: You're at a dinner party, and someone brags about their stock with an "amazing 8% dividend yield." Impressive, right? But here's what they're not telling you – and might not even realize themselves. That high-yielding stock might have lost 20% of its value this year. Meanwhile, the person quietly sipping their drink owns Amazon, which pays no dividend but has delivered spectacular returns. This is the dividend yield versus total return story, and once you understand it, you'll never look at investment returns the same way.

Dividends & Total Returns

Fidelity

Customer Service Fidelity Assistant Profile

Accounts & Trade Retirement Wealth Management News & Research Products

How ca

Learn

Learn

Favorites

Topics

Events

Search

What is a good dividend yield?

It can be tempting to go with the stocks that offer the highest yields. After all, a high yield means you're earning more from your investment, right? Not necessarily. Companies can decrease or stop their dividends at any time, the current dividend yield is not a guaranteed return rate.

In fact, a very high dividend yield can actually be a red flag that the company is struggling. For example, it could indicate that:

- The share price has fallen significantly
- The dividend is at risk of being cut or stopped

That's why dividend investors often focus instead on looking for steady dividend payers—companies that have a long track record of paying consistent dividends without cuts—instead of simply highest dividend payers.

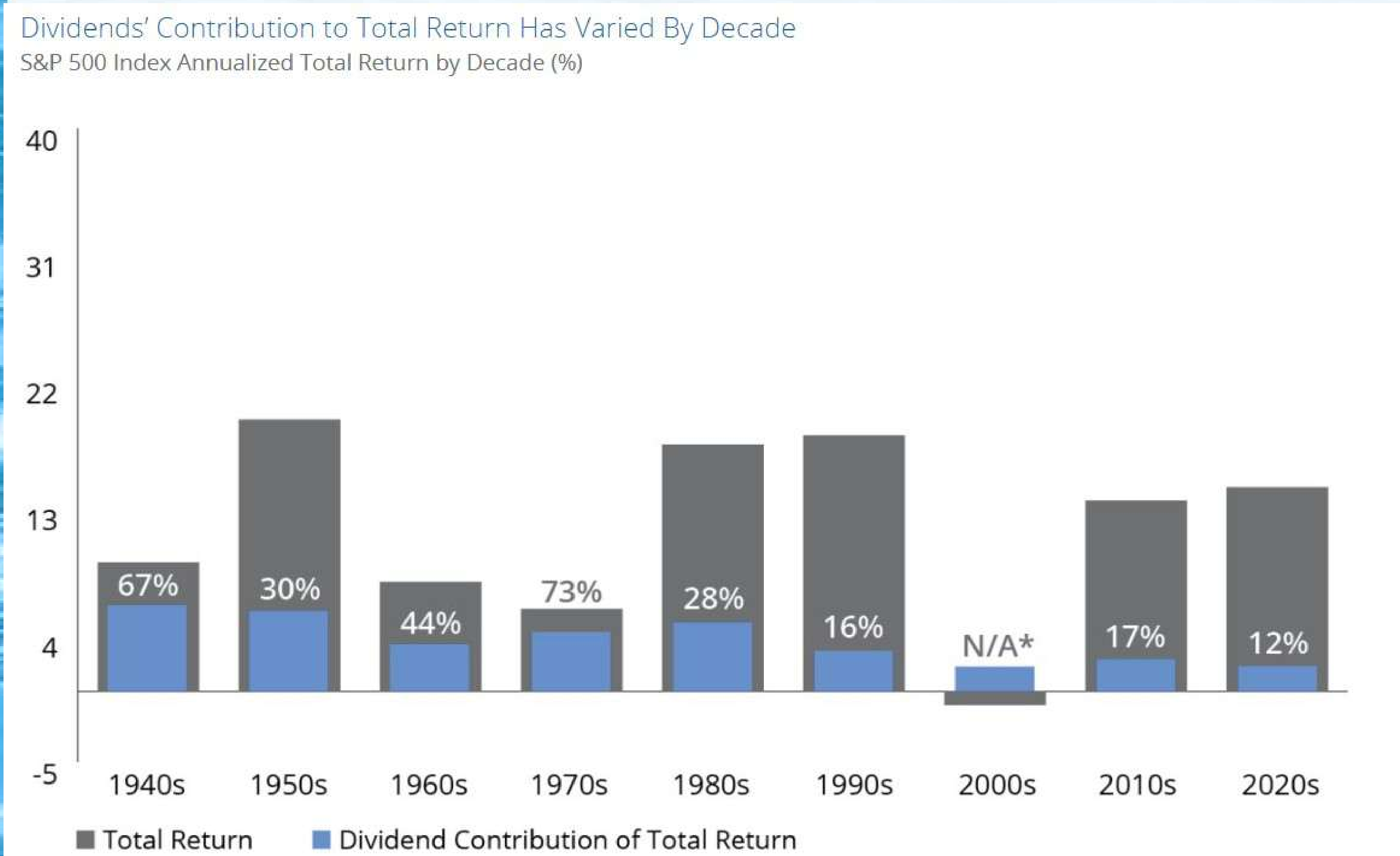
It's also important to note that high-growth companies often don't pay dividends, because they choose instead t reinvest all of their profits back into the business. This can help fuel future earnings growth—potentially helping t lift the stock price down the line.

The key takeaway here is that a high dividend yield isn't necessarily a good thing and a low dividend yield isn't necessarily a bad thing.

Dividends & Total Returns

Looking at the long-term performance of the S&P 500 Index, dividend income accounted for 24% of the S&P 500's average monthly total return from 1957 to May 2025.[1] The percentage of total return derived from dividends can vary, though, from decade to decade. Recent market leadership in technology and innovation-driven sectors, has led to dividends accounting for a lower proportion of total return. In the 10 years ending May 31, 2025, 23% of the S&P 500’s total return can be attributable to dividend reinvestment compared to 35% a decade earlier.[2]

Dividends & Total Returns



Reinvested Dividends

- May increase long term returns
- Are still taxable in after tax accounts in the year that they are paid
- Need to keep track of reinvested dividends as they increase total cost basis (since you paid taxes on them)

Dividend Yields

THE GROWTH ENGINES (0-2% TYPICAL)

- **Technology:** Often reinvest profits for growth rather than paying dividends
- **Healthcare Innovation:** Focus on R&D over dividend payments
- **E-commerce:** Prioritize market share and expansion

Dividend Yields

THE BALANCED PLAYERS (2-3% TYPICAL)

- **Consumer Staples:** Steady businesses with consistent dividends
- **Industrials:** Cyclical dividends tied to economic conditions
- **Financials:** Regulated entities with dividend policies tied to capital requirements

Dividend Yields

THE HIGH YIELDERS (3-7% TYPICAL)

- **Utilities:** Often steady yields with modest growth potential
- **REITs:** Required to distribute most income, resulting in higher yields
- **Telecom:** Mature companies often paying significant dividends
- **Energy MLPs:** Pass-through entities with tax-advantaged distributions

Yield Trap?

Warning Signs of a Yield Trap:

- Yield above 8% in normal market conditions (REITs excluded)
- Payout ratio over 90% of earnings
- Declining revenues for multiple quarters
- Debt levels rising while cash flow falls
- Company in a structurally declining industry

Dividend Taxation

(Taxed Twice – Company & You)

- Qualified dividends are taxed at capital gains rates in after tax accounts
- Qualified dividends are defined by specific IRS criteria
- Qualified dividends in IRAs & 401Ks are taxed as ordinary income when withdrawn
- Dividends in Roth IRAs are not taxable when withdrawn according to IRS rules

Dividend Taxation

Capital Gains Tax Rate		Taxable Income Limits Single	Joint
0%	up to	$49,450	$98,900
15%	up to	$545,500	$613,700
20%	over	$545,501	$613,701

Stock Losses

- Hold, sell or gift losers
- Gifting stocks
  cost basis stays the same
- Advantages of gifting losers
  - gift losers to avoid step down
  - potential for partial non taxable gain to recipient

Which Dividend Stocks?

- Dividend ETFs
- Dividend Kings (50+ years)
- Dividend Aristocrats (25+ years S&P 500 only)
- Dogs of the Dow (10 highest yield of 30)
- Growth Stock Dividends
- Total Stock Market Yield approx 1.0%

Dividend Kings

Dividend Kings are stocks that have raised their dividends for 50 or more consecutive years, putting them in an exceptionally small group of long-term dividend growers.

These companies have delivered higher payouts through multiple recessions, market crashes, and inflation cycles, reflecting resilient business models and dependable cash flows.

Dividend Kings have fewer index constraints than Dividend Aristocrats. They do not need to be in the S&P 500, which means the list includes many smaller companies with outstanding dividend track records.

2026 Dividend Kings List by Sector and Years of Dividend Growth

UTILITIES	
American States Water (AWR)	70
Northwest Natural (NWN)	70
California Water Service (CWT)	58
H2O America (HTO)	58
National Fuel Gas (NFG)	55
Black Hills (BKH)	54
Middlesex Water Company (MSEX)	53
Canadian Utilities (CDUAF)	53
Fortis (FTS)	51
Consolidated Edison (ED)	51
MGE Energy (MGEE)	50

HEALTHCARE	
Johnson & Johnson (JNJ)	63
Abbott (ABT)	53
AbbVie (ABBV)	53
Becton Dickinson (BDX)	52
Kenvue (KVUE)*	2

CONSUMER DISCRETIONARY	
Genuine Parts Company (GPC)	69
Lowe's (LOW)	65
Target (TGT)	54

CONSUMER STAPLES	
Procter & Gamble (PG)	69
Coca-Cola (KO)	63
Colgate-Palmolive (CL)	62
Marzetti (MZTI)	61
Hormel Foods (HRL)	58
Tootsie Roll (TR)	58
Sysco (SYY)	56
Universal (UVV)	55
Altria (MO)	54
Kimberly-Clark (KMB)	53
PepsiCo (PEP)	53
Walmart (WMT)	52
Archer Daniels Midland (ADM)	52

MATERIALS	
Stepan Company (SCL)	58
H.B. Fuller (FUL)	55
PPG (PPG)	53
Nucor (NUE)	52
RPM International (RPM)	51

REAL ESTATE	
Federal Realty (FRT)	57

INDUSTRIALS	
Dover (DOV)	69
Parker-Hannifin (PH)	69
Emerson Electric (EMR)	67
Nordson (NDSN)	69
MSA Safety (MSA)	59
ABM Industries (ABM)	57
Stanley Black & Decker (SWK)	57
W.W. Grainger (GWW)	53
Gorman-Rupp (GRC)	53
Illinois Tool Works (ITW)	53
Tennant (TNC)	53
Automatic Data Processing (ADP)	51

FINANCIALS	
Cincinnati Financial (CINF)	65
Farmers & Merchants Bank (FMCB)	62
Commerce Bancshares (CBSH)	58
S&P Global (SPGI)	52
United Bankshares (UBSI)	51
RLI (RLI)	50

Dividend Kings

page 1

Name	Industry	Dividend Yield	Dividend Safety
Altria	Tobacco	6.29%	Borderline Safe
Universal	Tobacco	6.14%	Borderline Safe
Hormel Foods	Packaged Foods and Meats	5.61%	Safe
Kimberly-Clark	Household Products	5.26%	Safe
Kenvue	Personal Care Products	4.78%	Borderline Safe
Stanley Black & Decker	Industrial Machinery and Components	4.60%	Borderline Safe
Federal Realty	Retail REITs	4.14%	Safe
Genuine Parts Company	Distributors	3.95%	Borderline Safe
Black Hills	Multi-Utilities	3.81%	Safe
PepsiCo	Soft Drinks and Beverages	3.77%	Safe
Target	General Merchandise Retail	3.74%	Safe
Canadian Utilities	Multi-Utilities	3.64%	Safe
Automatic Data Processing	Human Resource Services	3.60%	Very Safe
Northwest Natural	Gas Utilities	3.54%	Safe

Dividend Kings

page 2

Name	Industry	Dividend Yield	Dividend Safety
United Bankshares	Regional Banks	3.47%	Safe
AbbVie	Biotechnology	3.33%	Safe
Fortis	Electric Utilities	3.27%	Safe
Consolidated Edison	Multi-Utilities	3.13%	Very Safe
Stepan Company	Specialty Chemicals	3.01%	Safe
Archer-Daniels-Midland	Agricultural Products	2.98%	Safe
Sysco	Food Distributors	2.97%	Borderline Safe
ABM Industries Incorporated	Waste and Facility Services	2.96%	Safe
H2O America	Water Utilities	2.95%	Very Safe
Procter & Gamble	Household Products	2.91%	Very Safe
California Water Service Group	Water Utilities	2.85%	Very Safe
Marzetti Company	Packaged Foods and Meats	2.82%	Very Safe
Coca-Cola	Soft Drinks and Beverages	2.74%	Safe
Becton, Dickinson and Company	Health Care Equipment	2.72%	Very Safe
Middlesex Water Company	Water Utilities	2.58%	Very Safe

Dividend Kings

page 3

Name	Industry	Dividend Yield	Dividend Safety
PPG Industries	Specialty Chemicals	2.57%	Very Safe
American States Water	Water Utilities	2.54%	Very Safe
Colgate-Palmolive	Household Products	2.51%	Very Safe
Abbott Laboratories	Health Care Equipment	2.51%	Very Safe
Illinois Tool Works	Industrial Machinery and Components	2.38%	Very Safe
MGE Energy	Electric Utilities	2.35%	Very Safe
Cincinnati Financial	Property and Casualty Insurance	2.33%	Safe
National Fuel Gas	Gas Utilities	2.28%	Very Safe
Johnson & Johnson	Pharmaceuticals	2.18%	Very Safe
Commerce Bancshares	Regional Banks	2.18%	Very Safe
RPM International	Specialty Chemicals	1.98%	Safe
Lowe's	Home Improvement Retail	1.97%	Very Safe
Farmers & Merchants Bancorp	Regional Banks	1.76%	Very Safe
Tennant Company	Industrial Machinery and Components	1.60%	Safe
Emerson Electric	Electrical Components and Equipment	1.54%	Safe

Dividend Kings

page 4

Name	Industry	Dividend Yield	Dividend Safety
H.B. Fuller	Specialty Chemicals	1.47%	Safe
MSA Safety Incorporated	Office Services and Supplies	1.23%	Very Safe
Nucor	Steel	1.20%	Very Safe
Nordson	Industrial Machinery and Components	1.19%	Very Safe
RLI Corp.	Property and Casualty Insurance	1.10%	Very Safe
Gorman-Rupp Company	Industrial Machinery and Components	1.10%	Safe
Dover	Industrial Machinery and Components	0.96%	Very Safe
S&P Global	Financial Exchanges and Data	0.93%	Very Safe
Tootsie Roll	Packaged Foods and Meats	0.79%	Very Safe
Walmart	General Merchandise Retail	0.78%	Very Safe
W.W. Grainger	Trading Companies and Distributors	0.77%	Very Safe
Parker-Hannifin	Industrial Machinery and Components	0.73%	Very Safe

Dividend Aristocrats

The S&P 500 Dividend Aristocrats Index is a list of public companies that have increased their dividend payments consecutively for at least 25 years.

Some Dividend Aristocrats

Name	Price	Last div.	Yield	Payout ratio	P/E	Div. CAGR 3y
Exxon Mobil Corporation XOM-NYSE	$146.44 -3.65%	$1.0300	2.76%	60.30%	21.86x	4.11%
Johnson & Johnson JNJ-NYSE	$234.18 -0.15%	$1.3400	2.22%	47.14%	21.23x	4.78%
Caterpillar Inc. CAT-NYSE	$794.65 +2.85%	$1.5100	0.75%	31.56%	42.22x	8.04%
AbbVie Inc. ABBV-NYSE	$208.37 -0.30%	$1.7300	3.23%	285.59%	88.29x	5.21%
Chevron Corporation CVX-NYSE	$184.01 -2.20%	$1.7800	3.76%	104.07%	27.71x	6.19%
The Procter & Gamble Company PG-NYSE	$146.93 +2.67%	$1.0568	2.88%	62.63%	21.77x	4.99%

Procter & Gamble

Review 3 PDF Files

Vanguard Website ETF Comparison

Review PDF File

ETF Comparison

(Market or Equal Weight? 39% vrs 19% Tech Sector)

		Dividend Yield	Expense Ratio	Top 10 Stocks Percent	Beta	Turnover Rate
VTI Total Stock Market	3500+ stocks	1.17% 38.4% technology	0.03%	32.04% 17.1% total return in 2025	1.00	2.6%
VOO S&P 500	500+ stocks	1.19% 32.9% technology	0.03%	36.52% 17.8% total return in 2025	1.00	2.4%
VYM High Dividend Yield	570+ stocks	2.41% 14.1% technology	0.04%	24.40% 13.0% total return in 2025	0.77	11.3%
VIG Dividend Appreciation	345+ stocks	1.61% 25.9% technology	0.04%	32.08% 12.7% total return in 2025	0.83	11.1%

2.7% inflation rate 2025

Market or Equal Weight? 39% vrs 19% Tech Sector

Company	Percentage of S&P 500	Percentage of RSP
Nvidia	7.89%	0.20%
Apple	7.04%	0.20%
Microsoft	5.14%	0.18%
Amazon	4.06%	0.19%
Alphabet (Class A)	3.40%	0.11%
Broadcom	3.26%	0.21%
Alphabet (Class C)	2.71%	0.09%
Meta Platforms	2.13%	0.19%
Tesla	1.88%	0.21%
Micron Technology	1.68%	0.27%

Data sources: Vanguard and Invesco. Percentages are as of May 31, 2026.

Holdings: VTI

Top 10 Holdings (32.04% of Total Assets)

Symbol	Company	% Assets
NVDA	NVIDIA Corporation	6.41%
AAPL	Apple Inc.	5.93%
MSFT	Microsoft Corporation	4.37%
AMZN	Amazon.com, Inc.	3.20%
GOOGL	Alphabet Inc.	2.66%
AVGO	Broadcom Inc.	2.33%
GOOG	Alphabet Inc.	2.11%
META	Meta Platforms, Inc.	1.99%
TSLA	Tesla, Inc.	1.66%
BRK-B	Berkshire Hathaway Inc.	1.36%

Holdings: VYM

Top 10 Holdings (24.40% of Total Assets)

Symbol	Company	% Assets
AVGO	Broadcom Inc.	6.28%
JPM	JPMorgan Chase & Co.	3.27%
XOM	Exxon Mobil Corporation	3.15%
JNJ	Johnson & Johnson	2.58%
CVX	Chevron Corporation	1.70%
ABBV	AbbVie Inc.	1.69%
PG	The Procter & Gamble Company	1.49%
CAT	Caterpillar Inc.	1.44%
HD	The Home Depot, Inc.	1.44%
CSCO	Cisco Systems, Inc.	1.36%

Holdings: VIG

Top 10 Holdings (32.08% of Total Assets)

Symbol	Company	% Assets
AVGO	Broadcom Inc.	4.07%
AAPL	Apple Inc.	4.03%
MSFT	Microsoft Corporation	3.81%
JPM	JPMorgan Chase & Co.	3.53%
LLY	Eli Lilly and Company	3.48%
XOM	Exxon Mobil Corporation	3.38%
JNJ	Johnson & Johnson	2.81%
WMT	Walmart Inc.	2.60%
V	Visa Inc.	2.26%
COST	Costco Wholesale Corporation	2.11%

Questions