

What Dividends Are and When They're Issued

If you've ever owned stocks or held certain other types of investments, you might already be familiar with the concept of dividends. Even those people who have made investments that paid dividends may still be a little confused as to exactly what dividends are, however? after all, just because a person has received a dividend payment doesn't mean that they fully appreciate where the payment is coming from and what its purpose is.

If you have ever found yourself wondering exactly what dividends are and why they're issued, then the information below might just be what you've been looking for.

Defining the Dividend

Dividends are payments made by companies to their stockholders in order to share a portion of the profits from a particular quarter or year. The amount that any particular stockholder receives is dependent upon how many shares of stock they own and how much the total amount being divided up among the stockholders amounts to. This means that after a particularly profitable quarter a company might set aside a lump sum to be divided up amongst all of their stockholders, though each individual share might be worth only a very small amount potentially fractions of a cent, depending upon the total number of shares issued and the total amount being divided. Individuals who own large amounts of stock receive much more from the dividends than those who own only a little, but the total per-share amount is usually the same.

When Dividends Are Paid

How often dividends are paid can vary from one company to the next, but in general they are paid whenever the company reports a profit. Since most companies are required to report their profits or losses quarterly, this means that most of them have the potential to pay dividends up to four times each year. Some companies pay dividends more often than this, however, and others may pay only once per year. The more time there is between dividend payments can indicate financial and profit problems within a company, but if the company simply chooses to pay all of their dividends at once it may also lead to higher per-share payments on those dividends.

Why Dividends Are Paid

Dividends are paid by companies as a method of sharing their profitable times with the stockholders that have faith in the company, as well as a way of luring other investors into purchasing stock in the company that is paying the dividends. The more a particular company pays in dividend payments, the more likely it is to sell additional common stock? after all, if the company is well-known for high dividend payments then more people will want to get in on the action. This can actually lead to increases in stock price and additional profit for the company which can result in even more dividend payments.

Getting the Most Out of Your Dividends

In order to get the most out of the dividends that you receive on your investments, it is generally recommended that you reinvest the dividends into the companies that pay them. While this may seem as though you're simply giving them their money back, you're receiving additional shares of the company's stock in exchange for the dividend. This will increase future dividend payments (since they're based upon how much stock that you own), and can set you up to make a lot more money than the actual dividend payment was for since increases in stock prices will affect the newly-purchased stock as well.

You may freely reprint this article provided the following author's biography (including the live URL link) remains intact:

Short note about the author

John Mussi is the founder of Direct Online Loans who help homeowners find the best available loans via the

www.directonlineloans.co.uk website.

Author: John Mussi

Article downloaded from page eioba.com