WHY DIVIDENDS MATTER

Investors often turn to dividend strategies to generate income, but dividends offer more than just income. When reinvested, dividends can contribute to an investment's total return over time.

What Are Dividends?

Some companies distribute portions of their profits to their shareholders in the form of dividends as a benefit for investing in the firm. Dividends are most often issued as cash or additional shares of company stock.

See the Difference Dividends Can Make

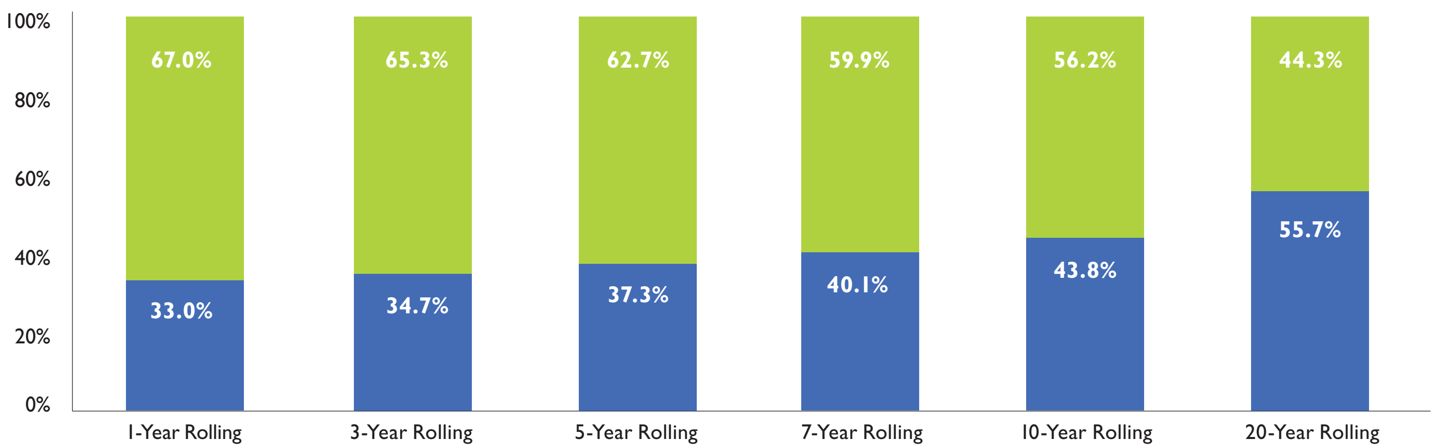
While the price return of an index takes into account price movements, such as the capital gains and losses of the underlying securities, its total return includes dividends, interest, and other distributions over a given period.

Looking at the total returns for the S&P 500® index from 1940 through 2023, dividends accounted for:

- **37.3%** of the total returns over 5-year rolling periods.
- **40.1%** of the total returns over 7-year rolling periods.
- **43.8%** of the total returns over 10-year rolling periods.

Rolling returns refer to the cumulative return of an investment over a number of consecutive periods.

Average S&P 500® Index Returns from Capital Appreciation and Dividends from 1940-2023



Source: Standard & Poor's, FactSet, J.P. Morgan Asset Management. Based on difference between average returns of S&P 500 price and total return indexes. Data are as of December 31, 2023.

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Reinvested Dividends Can Make a Big Difference in Your Outcome

When you're looking at the returns of an investment, consider its cumulative return, or the total change in the investment price over a set period of time. This is the total amount the investment has earned for you, regardless of time.

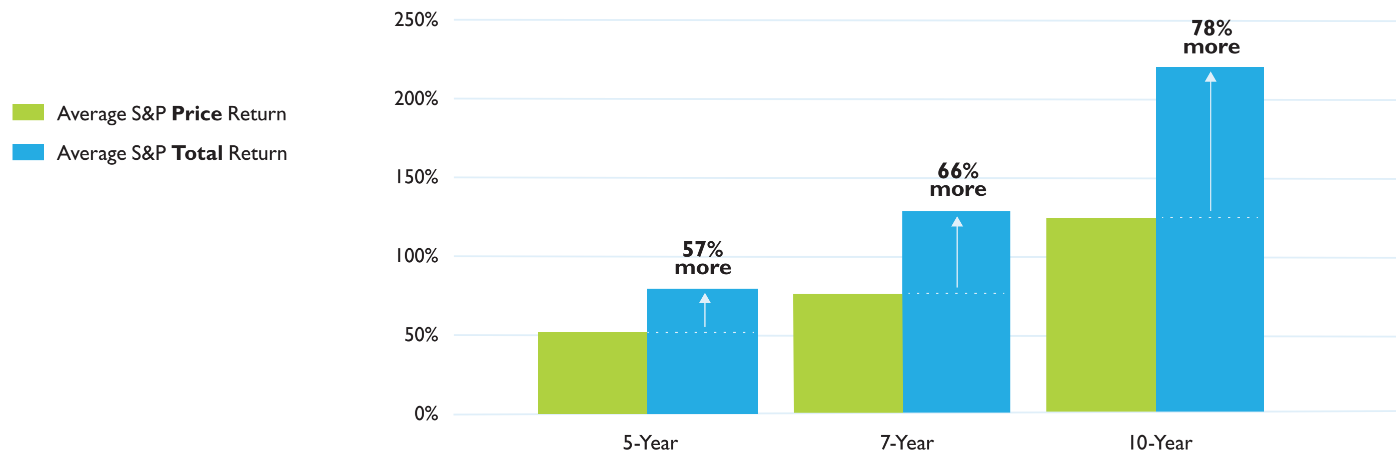
As you can see in the chart below, the cumulative monthly average returns for the S&P 500 Total Return index are better than those of the S&P 500 Price Return index from 1940 through 2023. This is because the Total Return index reflects the reinvestment of dividends, while the Price Return index does not.

- The historical **5-year** monthly rolling total return is **57%** higher than the respective price return.
- The historical **7-year** monthly rolling total return is **66%** higher than the respective price return.
- The historical **10-year** monthly rolling total return is **78%** higher than the respective price return.

In these cases, reinvested dividends made a big difference, even over a relatively short amount of time.

Cumulative Monthly Rolling Return Averages from 1940-2023

S&P 500 Price Return Index vs. S&P 500 Total Return Index



	Rolling Returns					
	1-Year	3-Year	5-Year	7-Year	10-Year	20-Year
Average S&P 500 Price Return	8.69%	28.62%	51.29%	76.50%	125.38%	367.07%
Average S&P 500 Total Return	12.58%	42.92%	80.56%	126.69%	223.34%	854.84%
Percent Differential	**45%**	**50%**	**57%**	**66%**	**78%**	**133%**

Talk to your financial professional to find out how you can include a dividend strategy in your investment plan. To learn more, visit PacificLife.com.

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