

A FRESH PAIR OF EYES

Weekly Business Edition – 6/29/2014

SEAN STEIN SMITH - MBA, CPA, CMA, CGMA

Dividends

Dividends have been in the financial media a lot the last several years, and this is for good reason. At the lowest points of the financial crisis, dividend stalwarts such as Bank of America and G.E. had to dramatically cut and/or suspend dividend payments, along with a host of other global, well-known firms. Dividends, depending on which analyst you listen to, either comprise a majority or nearly all of the total returns generated on stock holdings by individuals and institutional investors.

Remember, if you contribute funds to a 401(k) or virtually any other type of retirement plan, you are an owner of stock market equities.

Dividends matter, and can start to add up to significant dollars over time, so it is important to have a firm understanding of what exactly these dividends are. Dividends can come in several forms, and can be either cashed out immediately or reinvested for future benefit. It might seem complicated at first, but if you can master the underlying fundamentals it turns out it is not so complicated after all.

Let's get started.

Here the link to my weekly podcast - The Weekly Business Roundup

[Weekly Business Roundup 6/28/2014](#)



Contact - A Fresh Pair of Eyes

Feel free to reach out with your comments/suggestions or questions.

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INVESTING TIP/DEFINITION

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Bringing it all together

Cash is King, or so the saying goes, and very few financial indicators are more related to cash generation and protection than dividends. While dividends can be paid in either cash or stock, the more common form of dividend distribution takes the form of cash payments to shareholders – in essence shareholders are rewarded for owning the stock. Paid, in the United States, usually on a quarterly basis, dividends are a key component of many investors investing strategy as well as comprising a large percentage of total stock market returns.

Non-cash dividends are also an option for firms, and these might be used for several reasons. Less well-known, but equally as effective at returning capital to shareholders, non-cash dividends are usually additional shares of stock. These dividends save the firm cash, increase your ownership (and exposure) of the firm, and are still adding value to your bottom line.

Dividends are rewards for holding onto the shares of stock your purchases, and whether you choose to take them as cash, or reinvest them, they can form the cornerstone of a solid investing portfolio. Dividends add income to your investment options, serve as partial hedge against inflation, and help cushion any declines in the stock price. Making your investments work as hard for you as you did to make them is an ambitious goal – dividends help accomplish just that.

Let us know!

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Cash & non-cash

Cash dividends are the most common type of dividends payments in the marketplace, and are most certainly the thought that comes to the minds of most investors. Non-cash dividends, however, are an equally important category to understand – these usually take the form of additional shares of the firm. The tax implications, as well as liquidity (cash is the most liquid asset) make these differences important to understand.

A Fresh Pair of Eyes Definition

Dividends – Dividends are payments from the corporation to shareholders, either in cash or in stock, to reward shareholders for owning the stock.

What they mean

A firm that issues a healthy dividend and/or continually raises the dividend distribution usually is well-regarded by the financial community. Dividends are paid in cash, not income, and so a firm that can consistently pay/raise dividends is a firm that generates healthy cash flows. While not the only indicator of a healthy business, dividend payments are well-received, which is why reductions/cancellations are viewed so negatively by the marketplace.

What do you think?

Let us know what you think, and it might become the topic of a blog post or follow up newsletter article.

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THE WEEK AHEAD

Sean Stein Smith - MBA, CPA, CMA, CGMA

It is always good to recap and to analyze what happened during the past week, which is what I strive to do via the weekly roundup podcast (link to it is above). In addition to analyzing what did happen, it is equally important to look forward to try to anticipate how the upcoming events of the week ahead could impact you and your money. That is the point of this column, which is broken down into domestic events, as well as the international events that could be of importance to your investments.

Budget Tip – Vacation Destinations

Summertime is here, and that means barbeques, swimming, long days, and a more relaxed and more enjoyable time of year for many. Not all of this extra time, however, need be spent catching rays or swimming: if you are so inclined you can also use this extra time and flexibility to either catch-up, or spring ahead, with your financial reading and financial literacy. Doing so might put you a few steps ahead when the fall rolls

Excel Tip – Excel Shortcuts

Business data and information can change by the minute, and so it is essential that your spreadsheets and working papers reflect this reality, but if you have to manually update every piece of information how will you ever be able to do anything else? Hyperlinks are a great way to give “real-time” information to your report, but manually right-clicking hitting insert hyperlink can be tedious. Use CTRL + K instead to skip right to the hyperlink insertion window. Easy!

What do you think?

Let me know if these tips were helpful

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Domestic

Let us start our discussion with the news and economic activity that are on the agenda for the U.S. this week.

American Apparel, long in the news for both its CEO (both good and bad), as well as publicly supporting and using American manufacturers to produce its clothing line has removed its CEO from his leadership roles with the firm. This points to a much larger discussion regarding corporate governance, or, how a company is run by the people that run it. Governance matters, and as this story clearly demonstrates, the marketplace is demanding that organizations hold leaders accountable for their actions.

As always, it is essential to not only watch the market headlines, but to also understand the stories that drive the headlines.

Of course, there will be corporate news announced during the week as well, so keep your eyes open and check out the blog @ <http://ssteinsmith.com/> for daily analysis!

International

BNP Paribas, the largest bank in France and a player in the international finance, has agreed to enter a guilty plea and pay \$8.9 billion in fines. Under a clause that allows the U.S. government to sue under clauses that foreign firms are threatening U.S. strategic interests, the Department of Justice has been aggressively pursuing the institution. At a time when French-American economic relations have been making headlines for productive reasons (G.E. and Alstom), this story is something else entirely. The implications for BNP, French-American relations, and international finance at large are yet to be fully understood.



THE WEEKLY EDITION

Feedback is Always Welcome!

Feedback is the key to continuous improvement, so if there are any topics, themes, or stories you would like covered in the weekly newsletter, or if there is something you wish to know more about, please send an email to afreshpairefeyes88@gmail.com.

Thanks again for reading!

Sean

A Fresh Pair of Eyes

**Making Sense of Finance and
Accounting**

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If you like the newsletter, you might also enjoy the book. "A Fresh Pair of Eyes - Finance for the Young Investor" is available on both Amazon and in the Kindle Store.

A Fresh Pair of Eyes - Finance for the Young Investor

Personal Financial Planning

A Fresh Pair of Eyes - Personal Financial Planning

And my new book - Stocks

A Fresh Pair of Eyes - Stocks for the Young Investor

