Dividend Dates: What You Need to Know

Dividend paying securities are an attractive option for many investors who are interested in receiving a regular stream of income with the potential for long-term capital appreciation. When introducing a dividend paying security into your portfolio it is important to remember and understand a few key dates: the declaration date, the date of record, the ex-dividend date and the payment date.

Investors who seek to benefit from companies that return capital to shareholders may want to consider adding the potential benefits of dividend-paying securities to their portfolios. From an investment perspective, the ability and willingness of a company to pay a dividend may serve as a sign that the company is in strong financial health and is an attractive opportunity for investment.

Among Singapore corporations, common stock shareholders generally receive dividends semi-annually, which may vary depending on the company’s profits during that period. Alternatively, companies may decide to issue an extra dividend, which generally occurs once a year. It is important to note that when dividends are distributed, preferred stock shareholders are paid before common shareholders.

When a company makes the decision to offer a dividend they are required to announce in advance how much the dividend payment will be, when the payment will be made and by which date investors must own shares to be eligible to receive the payment. This announcement is made on the declaration date. Investors can use this information to calculate how much income they will receive or whether they wish to purchase or sell shares.

Furthermore, a corporation may distribute dividends as cash, stock or other assets such as property. These distributions decrease the total value of the company’s assets. This is reflected in the reduction of the stock’s share price by the dividend value on what is known as the ex-dividend date, which is usually two days prior to the date of record.

On the date of record the company reviews its books to determine who is listed as an official shareholder, and who will therefore receive the dividend payment. The date of record is set before the ex-dividend date and is used to determine when the ex-dividend date will occur.

Shareholders can expect to receive dividend payments as early as one month from the date of record. The day dividends are paid out to shareholders is known as the payment date and all date of record shareholders, regardless of whether they still own the stock, will receive the dividend payment on this date.

Figure 1 defines the key dates for cash dividends and their potential impact on investors.

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<th>DATE</th>
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<th>IMPLICATIONS FOR INVESTORS</th>
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| DECLARATION DATE        | The date a company’s board of directors announces that it intends to pay a dividend. The company may also announce how much the dividend payment will be and the intended date of record.                                                                                                                                                                                                                   | - Investors find this information useful in determining if and when they plan to purchase or sell a particular stock.  
- Current shareholders or prospective investors can add this scheduled payment to previous payments paid over the past year to calculate the stock’s annual dividend.                                                                                                                                                                                                 |
| EX-DIVIDEND DATE        | The date by which investors must own the stock in order to become an owner of record and receive a dividend. This date is usually two days before the date of record.                                                                                                                                                                                                                                      | - Investors who purchase shares before this date are considered shareholders of record and will receive the next dividend payment.  
- Investors who purchase shares on or after this date may pay less for the shares, but will not receive the dividend payment.  
- Investors who sell shares before this date will not receive the dividend payment.  
- Investors who sell shares on or after this date will receive the dividend payment.                                                                                                                                                                                                                 |
| DATE OF RECORD          | The date on which a company looks at its records to determine who is listed as a shareholder and therefore will be receiving the dividend. An investor must be listed as a shareholder on the date of record in order to receive the upcoming dividend payment.                                                                                                                                                                                      | - Current shareholders will automatically qualify to receive the planned dividend as long as they do not sell their shares before the ex-dividend date.  
- Based on settlement practices, investors who wish to buy or sell shares before this date, the Ex-Dividend Date, not the Date of Record, determines their eligibility to receive the dividend.                                                                                                                                 |
| PAYMENT DATE            | The date the dividend is actually paid out to shareholders of record.                                                                                                                                                                                                                                                                                                                                   | - Shareholders of record receive the dividend payment, even if they no longer own the shares on the payment date.                                                                                                                                                                                                                                                                                      |

Source: SSgA.
The following hypothetical example demonstrates the actions that buyers and sellers may wish to take around these dates based on their particular investment objective.

**FIGURE 2: DIVIDEND DATE TIMELINE**

On June 1, 2012, XYZ Corporation declares that a cash dividend of 30 cents per share will be paid on July 9th to all shareholders of record as of June 20th. The exchanges set the ex-dividend date for June 18th.

An investor who buys shares on or before this date will receive a dividend. An investor who buys shares on this date won’t receive a dividend but may pay a lower share price, because the value of the stock has now dropped by the price of the dividend. For example, if XYZ’s share price closed at $20 on June 17, it will open at $19.70 on June 18.

An investor who sold shares on or after the ex-dividend date of June 18 will receive the dividend payment.

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Source: SSgA.

Researching stock dividends and keeping track of payment schedules can be a time-consuming process. Many investors choose exchange traded funds (ETFs) that invest in a variety of dividend-paying securities to make that process easier. These ETFs distribute a portion of dividends directly to investors, usually on a monthly or quarterly basis, making them an attractive way to add the income and capital appreciation potential of these stocks to a portfolio.
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¹ Bloomberg, as of 30 June 2012.
² As of 30 June 2012. This AUM includes the assets of the SPDR Gold Trust (approx. US$65.7 billion as of 30 June 2012), for which State Street Global Markets, LLC, an affiliate of State Street Global Advisors serves as the marketing agent.

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