

Dividends

They're important.

But they're not magical.

And they don't “ increase compounding. ”

A profitable company can: (i) return earnings to shareholders via dividends (or stock buybacks), (ii) retain earnings and reinvest them to grow the business, or (iii) choose to do a bit of both

A company's dividend policy is intentional and strategic; it boils down to an attempt at maximizing shareholder wealth.

Owning stocks that pay more (less) in dividends is not innately better (worse) for your portfolio. If you select investments based solely on current income (e.g., focusing on dividend stocks), you risk missing investment opportunities in companies with very high growth potential.

