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THE SHORT ANSWER

What You Need to Know About Stock Dividend Dates

Dividend investors should be aware of these important payment dates.



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Question: I'm relatively new to dividend investing, and I know there are some important dates I should be aware of--record dates and ex-dividend dates, for example. What do I need to know?

Answer: Most investors are very familiar with dividends, but they may be less familiar with the specific timeline associated with a company's dividend distribution: the declaration date, the record date, the ex-dividend date, and the actual distribution date. Although buy-and-hold investors don't have to be keenly attuned to all of those dates, it's still important to have a working understanding of them. We've outlined some key dates below.

Declaration Date

This date, also known as the announcement date, is the date on which a company declares it will pay a dividend.

Record Date

Once a company declares that it will pay a dividend, it then sets the date--the record date--by which you must be a shareholder to receive the dividend.

Ex-Dividend Date

To further complicate matters, dividend-paying stocks also have what are called ex-dividend dates--usually two business days before the record date. If you buy or sell shares of stock between the ex-dividend date and the record date, the stock is said to trade without its dividend during that period. In practical terms, that means that the former owner of the stock--and not its new buyer--will receive the dividend if the transaction occurred on or after the ex-dividend date. If you buy a dividend-paying stock before the ex-dividend date, you will receive the upcoming dividend payment. The reverse is also true: If you sell your stock before the ex-dividend date, you give up your right to claim the dividend.

While cash dividends are the most common form of dividend payment, sometimes a company will pay a dividend in additional shares of the company rather than cash. In that case, the ex-dividend date is the first business day after the stock dividend is paid (and is obviously also after the record date). Thus, if you sell your stock before the ex-dividend date and the company has distributed additional shares, you have sold away your right to that stock dividend, too.

Payment Date

The payment date is straightforward: It's the date that dividend checks are mailed or deposited in shareholders' accounts.

The Lowdown on Dividend-Capture Strategies

Although long-term investors probably will spend little time thinking about the dates above, so-called dividend-capture strategies involve jumping in and out of stocks just in time to lock in payouts. Investors employing the dividend-capture strategy would purchase a very high-paying dividend stock, collect their share of the payment, and then sell the stocks a few weeks later after the ex-dividend date. Then, it's onto capturing the next big dividend.