

DRIPs help transform income into growth

Investors seeking income know the importance of dividend-paying stocks. But even investors seeking growth can benefit from dividends.

The key to success is the power of time. Say a company with stock worth \$50 per share pays a dividend of \$1 per share. An investor holding 50 shares will receive a dividend of \$50, enough to buy one more share. That one share may not sound like much. But reinvestment of dividends can make a huge difference in long-term returns, as shareholders benefit from the appreciation of the new shares purchased by the dividends.

Investors who want to capture the power of reinvestment should consider using dividend reinvestment plans, or DRIPs. Such plans, sponsored by the companies themselves, will automatically reinvest dividends, even if the payout is not enough to purchase a whole share. Some plans require investors to purchase the initial share or shares through a broker, then deposit the shares in a DRIP plan. But many companies allow the purchase of the first share and every share direct from the company.

Most DRIP plans also allow investors to make cash purchases directly from the company once they are enrolled. By buying stock directly from the company, DRIP investors can minimize or even eliminate purchase fees. Some DRIPs even let investors buy shares at discounts to market prices.

About 1,100 U.S. companies offer DRIP plans, and about half allow investors to buy the first share direct from the company.

For more information, visit dripinvestor.com, the Web site of the *Forecasts'* sister newsletter *DRIP Investor*, the most complete and authoritative source available on DRIPs.