Title: **DIVIDEND DISCONNECT**

Speaker: Samuel M. Hartzmark, University of Chicago Booth School

**Importance:** Why this matters

**While M&M taught us the dividends shouldn't matter, all of the behavioral economists have demonstrated that individual investors don't behave like the standard model says they should. This paper documents that investors view dividends and price changes differently.**

**Investigation**: "Speaker analyzed XXX data to address the questions yyy, zzz, etc."

To address the issues relating to individual investor behavior, the authors used individuals' trading accounts from 1991 to 1996. (Same data as in Odean's research.) They used quarterly holdings from Thomson Reuters to address the questions relating to institutional behavior.

The authors investigated the dividend question using four perspectives. They used multiple tests to see if investors' responses to dividends was different from their response to price changes.

**Innovation**: Are there new techniques of interest in the data or approach to the problem?

The authors developed techniques to identify investor's stock level behavior around dividend payments. The looked at the price change on ex-dividend days to measure the demand for dividends. They also looked at changes in institutions' holdings of stocks that paid dividends during a quarter.

**Insights**: 1-2-3, what are the three most important things the speaker offered?

1. The free dividend fallacy (mental accounting). Investors seem to ignore the fact that stock prices fall when stocks go ex-dividend.

2. Investors focus on price change (rather than total returns) when evaluating performance, and deciding which stocks to sell (disposition and rank effects).

3. The relative valuation of dividends has varied over time. Investors treated dividends as more valuable when interest rates are low (today), stock market has been performing poorly and dividends have been stable or growing (post GFC). Demand for dividends was low during the Tech Bubble.

**Audience rating:**