FINANCIAL PREPAREDNESS

"One of life's most painful moments comes when we must admit that we didn't do our homework, that we are not prepared." ~ Merlin Olsen

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Quiet Dividend Quitting

You've probably heard about the phenomenon called Quiet Quitting: "doing the minimum requirements of one's job and putting in no more time, effort, or enthusiasm than absolutely necessary." The authors of an article in the September 2022 *Harvard Business Review* wrote, "Quiet quitters continue to fulfill their primary responsibilities, but they're less willing to engage in activities known as citizenship behaviors: no more staying late [or] showing up early...."

As Investopedia reports, "According to a Gallup survey of workers age 18 and older taken in June 2022, quiet quitters 'make up at least 50% of the U.S. workforce—probably more.' In Gallup's State of the Global Workplace 2023 Report, 59% of the global workforce are quiet quitters. In the U.S., the percentage is particularly high among workers under age 35....In the survey, only 32% of workers came across as engaged."

If this is a recent trend (some don't believe it is, but I do), why is it happening? I believe that during the COVID-19 "pandemic" (when online classes and work from home became the norm), Millennials—who are notorious for their terrible work ethic—learned that they could "phone it in" and get away with it.

I also don't think it's a coincidence that "the first known use of 'quiet quitting' was...[in a]

video posted to TikTok," or that it was "driven largely by social media." The people who control these companies are dedicated to bringing about the downfall of America and the free market (for their own reasons). A society where people get paid to sham is doomed to collapse.

So if most employees are just taking up space, how does that affect a company's bottom line, and what does that mean for shareholders? Less free cash flow and therefore lower dividends. Since the value of a company is equal to the present value of its future cash flows (discounted at an appropriate interest rate), the value of the company (and therefore its stock) is also lower.

During the "pandemic," the revenue of many companies suddenly dried up, so they had to reduce or eliminate their dividend to survive. Many companies didn't need to cut their dividend, but did so anyway simply because they could get away with it, especially when interest rates were artificially low (and close to 0% or even negative). Company executives and boards of directors also learned that they, too, could just "phone it in."

Although boards of directors declare dividends, generally when a company reduces or eliminates its dividend, it doesn't issue a press release that alerts investors to the fact that the company will be sending them less money; investors have to figure that out by themselves. These days most people are busy, distracted, addicted (to something) and/or overwhelmed by information and noise, so it's easy to overlook the fact that Acme Corp. cut its dividend.

Also, due to the Money Illusion, if a company doesn't increase its dividend every year, most investors just assume that they are receiving the same amount of wealth with each dividend payment.

Many companies have since resumed paying a dividend, but often at a far lower level. Many others stopped increasing their dividend each year, which during a time of 8% inflation is a cut. And many others never resumed paying a dividend.

I track over 2,000 dividend-paying stocks from around the world on a massive spreadsheet. There are over 100 companies in the Flat Dividend (for 1-3 years) section and about 75 Dividend Deadbeats—which haven't increased their dividend for at least four years. There are 55 companies in the Reduced Dividend section and over 200 in the Eliminated Dividend section. There are many other companies that I simply deleted from my spreadsheet once they eliminated their dividend.

The real numbers are even higher, for the following reasons. First, the vast majority of foreign stocks aren't included in the totals above because the dollar value of their dividends (nearly all of which are paid in a foreign currency) fluctuate with exchange rates, which makes it more challenging to track how their dividend has been changing over time. Second, many stocks should be in one of the categories above, but are also in other excluded categories, such as Low 10-Year ROIC, High Short Interest, Low Beneish M-Score, Low Dividend Safety Score, Low Corporate Social Credit Score (weak dividend growth is probably correlated with all of the preceding factors), Low Trading Volume, Short History, Insufficient Data, or they're in an industry that I don't invest in.

On my spreadsheet, for each stock, I track the next dividend announcement date as well as the last date I checked on the dividend, and use conditional formatting that automatically changes the color of a cell to red when an announcement date is overdue, or when I haven't checked on the dividend in a year.

I have developed an impatience when it comes to dividend announcements and payments. A company that is profitable and well run should be able to pay dividends on a regular schedule (generally, quarterly for U.S. stocks and semi-annually for foreign stocks). When the company is late with their announcement or payment, I look for signs of financial distress and accounting fraud, and often times I find it. I'm like a demanding landlord who expects the rent on the day it's due and becomes irate if it's not paid, because as an investor, you can't afford to be one of the last ones to figure out that a company has cut its dividend.

In conclusion, there is a real financial consequence to having a lot of employees who are shirking on the job. When investors finally figure this out, they will wish that they had “phoned in” their sell order to their broker sooner.

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