

Name _____

Discovering Dividends: A Share of the Profits

Open-Ended Response Answer Key

1. Dividends are like rewards that companies give to their shareholders as a way of sharing profits. They provide investors with a regular source of income, and the more shares you own, the bigger your reward. It's like getting a piece of the company's success.
2. Receiving dividends in cash gives you immediate spending power, while reinvesting them by buying more shares allows you to potentially grow your investment over time. However, the latter option might involve higher fees, and it depends on your investment goals.
3. Risks associated with investing in dividend stocks include economic downturns, which can lead to companies reducing or eliminating dividend payments. Additionally, changes in company performance can affect their ability to pay dividends.
4. An example of a company with a history of paying dividends is Johnson & Johnson. Its consistent dividend payments make it attractive to income-focused investors.

