

# Trading/Investing Strategies

# Dividend Harvesting

***Robert Brain***

September 2019

(Brainy's *Share Market Toolbox*)



# Introduction

---

Investing in dividends?

Is it easy?

Is it straight forward?

Are there any catches?



# Isn't it simple?

---

Can we not...

- ...find a list of good dividend payers?
- ...buy-and-hold the stock for years?
- ...easily find the ex-div dates?
- ...follow the published dividend strategies?



# Session purpose

---

- To share some observations about dividends and share price performance — they might be surprising!
- To show some examples (price charts)
- To refute the claims about simple dividend strategies
- To explain some of the key details about dividends
- To explain how to find out relevant details about dividends.



# Dividend payers

---

- Some companies pay dividends year after year, fairly reliably
- Find a list using Google.



# Dividend strategies

---

- Do a Google search for:  
***Dividend Strategy.***
- Many search results yield something like:

*“You've probably heard of the dividend investing strategy. It involves buying shares of companies that pay good, quality dividends and sitting back and watching money flow into your brokerage account, potentially helping you live off your passive income.”*

[Source: [www.thebalance.com](http://www.thebalance.com) ]



# Dividend “principles”

---

- It is “common” for the share price to rally into the ex-div date, and then...
- To fall on the ex-div date by the amount of the dividend.

***BUT!! Is this  
reliable information??***



# Price performance

---

Let's view some sample charts:

- DJW, AMC, MQG
- CBA, BHP, AWC



# Price performance

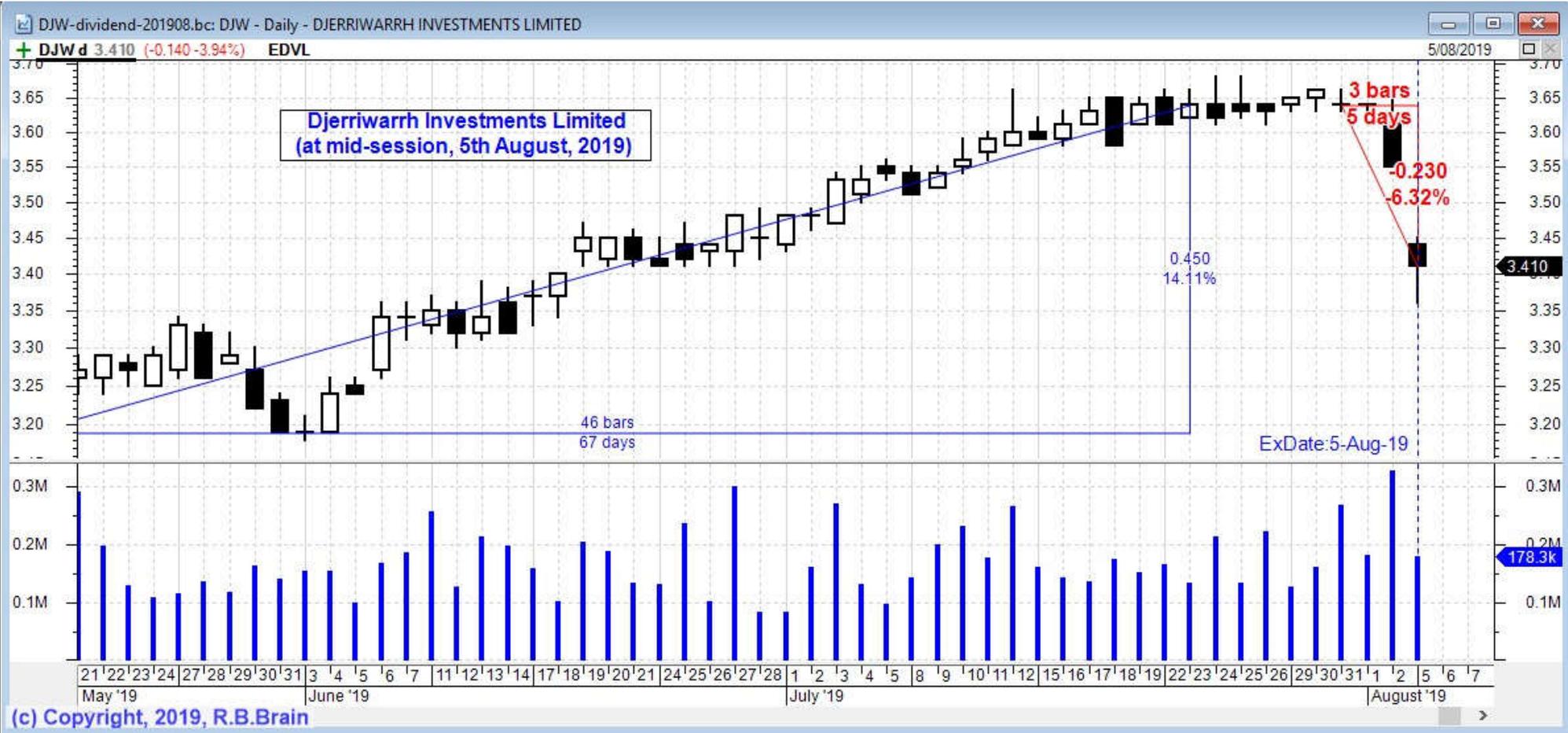
---

On the following price charts, look for:

- Share price rallying into the ex-div date;
- A share price fall on the ex-div date that is the same as the value of the dividend.



# Price perf — DJW



Good rally for many weeks, then plateaued for a few days, then fell heavily into/before the ex-div date.



# Price perf — AMC



Reasonable rally for many weeks (but including price congestion for a few weeks), then hit the ex-div date and kept going!!



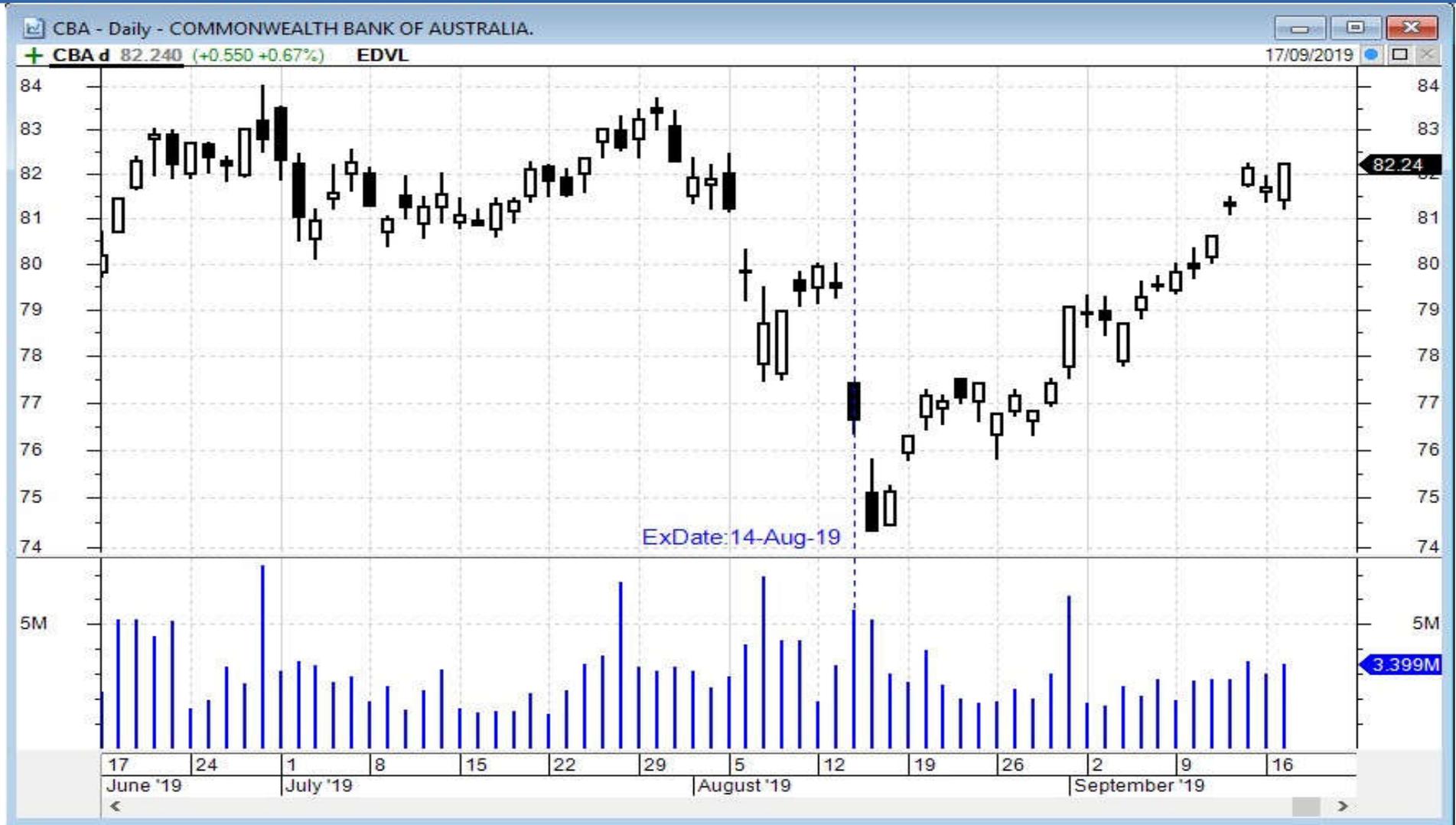
# Price perf — MQG



Good rally for many weeks, then fell off a cliff before the ex-div date (question: was there an announcement that triggered this?)



# Price perf — CBA



Price congestion for weeks, then crash into the ex-div date, followed by a strong rally!



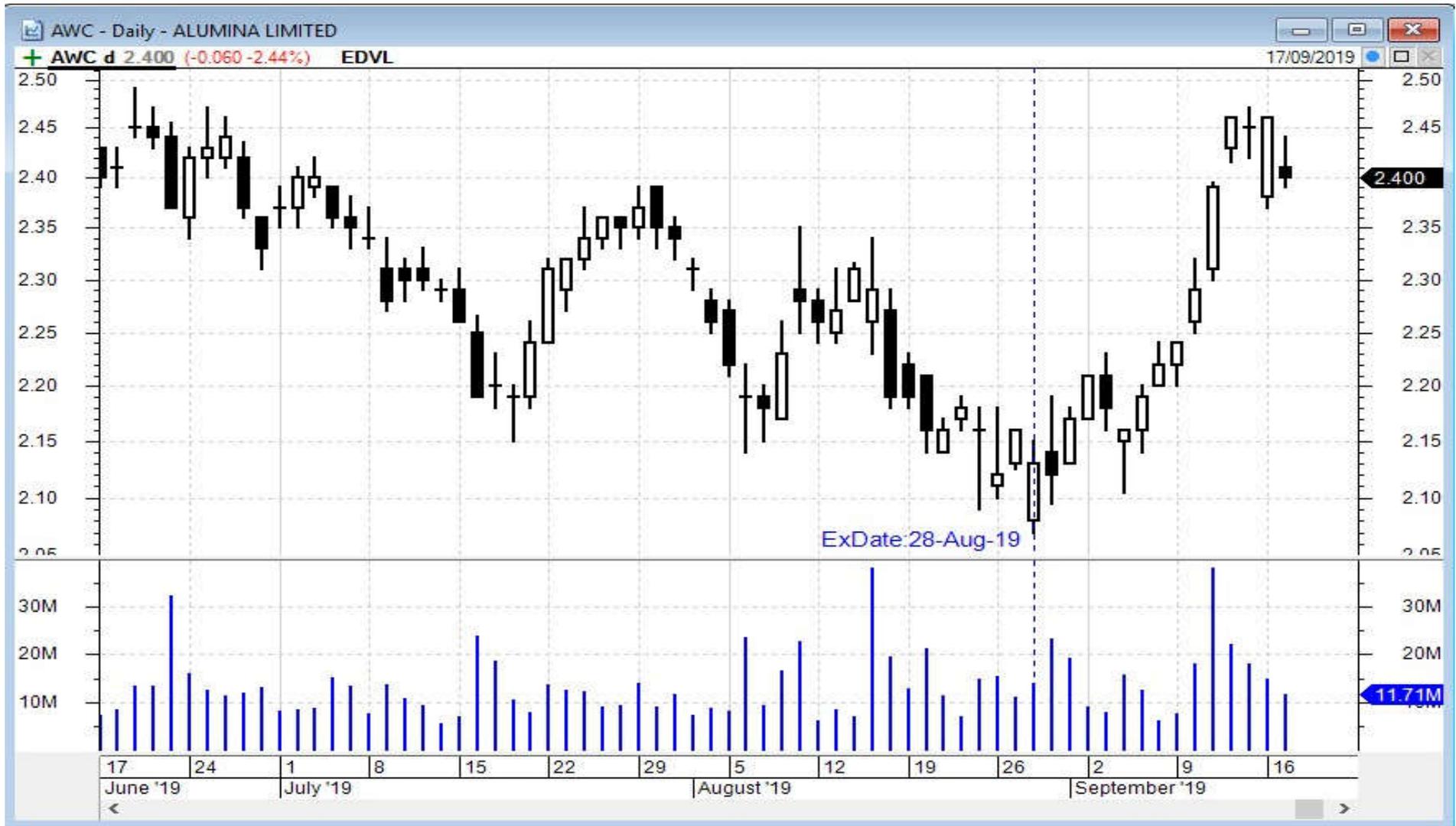
# Price perf — BHP



Price congestion for weeks, then crash into the ex-div date, with a price rally starting a few days before.



# Price perf — AWC



Downtrend into the ex-div date, followed by a strong rally!



# Observations

---

From these price charts:

- The share price can be falling in the days before ex-div.
- The share price does NOT typically fall by the amount of the dividend on the ex-dividend date!!



# Published strategies

---

- So, based on the sample charts just shared, what do we think about the “published” and promoted dividend strategies?

That is:

- Buy and hold and take the div, OR
- Buy before the div to take the div.

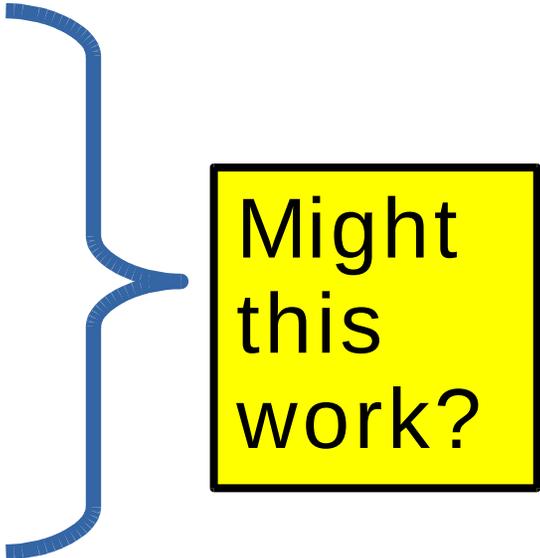


# Realistic strategies

---

There are at least two possible and realistic strategies:

- Buy in advance and hold for the ***dividend***, or
- Buy in advance so as to profit from the ***capital gain***.



Might  
this  
work?

And many of us will remember to rely on a good ***Exit Strategy*** to protect capital!!



# About dividends

---

**Following are some of the  
key details about dividends**



# About dividends

---

- A dividend is paid out from company profit (usually)
- Many companies pay half-yearly
- Some companies pay and some don't
- The amount and timing of dividends can change over time
- Amount and timing details are announced at varying dates/times.



# About key dates

---

- Announcement / Declaration Date
- Ex-Dividend Date
- Record Date
- Payment Date

**Let's see some samples...**

(What about tax implications? — not covered here today)



# CBA announcement to the ASX

- on 7 August 2019
- Ex-date
- Record date
- Payment date

 Notification of dividend / distribution

---

Notification of dividend / distribution

---

Announcement Summary

---

**Entity name**  
COMMONWEALTH BANK OF AUSTRALIA.

**Security on which the Distribution will be paid**  
CBA - ORDINARY FULLY PAID

**Announcement Type**  
New announcement

**Date of this announcement**  
Wednesday August 7, 2019

**Distribution Amount**  
AUD 2.31000000

**Ex Date**  
Wednesday August 14, 2019

**Record Date**  
Thursday August 15, 2019

**Payment Date**  
Thursday September 26, 2019

**DRP election date**  
Friday August 16, 2019 17:00:00

Refer to below for full details of the announcement

1 week!!

1 day

6 weeks



# BHP announcement to the ASX

- on 19 Feb 2019
- Ex-date
- Record date
- Payment date

 Notification of dividend / distribution

---

Notification of dividend / distribution

---

Announcement Summary

---

**Entity name**  
BHP GROUP LIMITED

**Security on which the Distribution will be paid**  
BHP - ORDINARY FULLY PAID

**Announcement Type**  
New announcement

**Date of this announcement**  
Tuesday February 19, 2019

**Distribution Amount**  
USD 0.55000000

**Ex Date**  
Thursday March 7, 2019

**Record Date**  
Friday March 8, 2019

**Payment Date**  
Tuesday March 26, 2019

**DRP election date**  
Monday March 11, 2019 17:00:00

**Refer to below for full details of the announcement**

2+ weeks!

1 day

2+ weeks



# AWC announcement to the ASX

- on 23 August 2019
- Ex-date
- Record date
- Payment date

 Notification of dividend / distribution

---

Notification of dividend / distribution

---

Announcement Summary

---

**Entity name**  
ALUMINA LIMITED

**Security on which the Distribution will be paid**  
AWC - ORDINARY FULLY PAID

**Announcement Type**  
New announcement

**Date of this announcement**  
Friday August 23, 2019

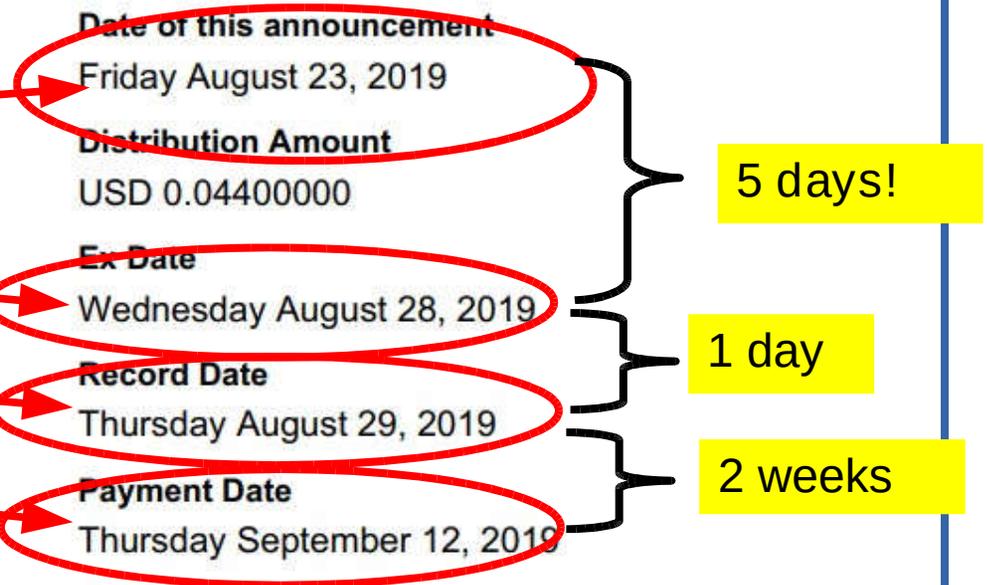
**Distribution Amount**  
USD 0.04400000

**Ex Date**  
Wednesday August 28, 2019

**Record Date**  
Thursday August 29, 2019

**Payment Date**  
Thursday September 12, 2019

Refer to below for full details of the announcement



# Conclusions?

---

- You might assume that a company might go “ex-dividend” at about the same date as last year. But will it?
- We will know for sure when the official announcement is made, perhaps only a few days prior!!



# Dividend research

---

Where to get useful information about dividends?

- BullCharts:
  - The ASX announcements (News Search)
  - Menu option:  
**Actions > Reports > Upcoming Dividends**
- [www.ASX.com.au](http://www.ASX.com.au)
- Various information websites...



# Dividend research

---

## List of stocks at various websites:

- Morning star
  - <https://www.morningstar.com.au/Stocks/UpcomingDividends>
- Market Index
  - <https://www.marketindex.com.au/upcoming-dividends>
- Share Dividends
  - <https://www.sharedividends.com.au/upcoming-dividends/>
- Dividend Harvester
  - <https://www.dividendharvester.com.au/>





Stock/Fund Search

Log In Premium Company Site Company News

Welcome, please [log in](#)

Where is Div Yield?

Can sort by "Franking"

Learn Home My Portfolio Build a Portfolio Stocks Funds ETFs Tools

### Upcoming Dividends

Below you will find a list of companies that have an upcoming trade Ex-Dividend Date or Dividend Pay Date.

| ASX Code | Company Name                | Ex Dividend Date | Dividend Pay Date | Amount | Franking |
|----------|-----------------------------|------------------|-------------------|--------|----------|
|          |                             |                  |                   | ¢      | %        |
| AOG      | Aveo                        | 27 Jun 2019      | 30 Sep 2019       | 4.50   | 0.00     |
| IFN      | Infigen Energy              | 27 Jun 2019      | 27 Sep 2019       | 1.00   | 0.00     |
| VTH      | Vitalharvest Freehold Trust | 01 Jul 2019      | 30 Sep 2019       | 1.65   | 0.00     |
| RIO      | Rio Tinto                   | 08 Aug 2019      | 19 Sep 2019       | 307.58 | 100.00   |
| TCXIBM   | --                          | 08 Aug 2019      | 24 Sep 2019       | 150.50 | 0.00     |
| TCXXOM   | --                          | 12 Aug 2019      | 24 Sep 2019       | 81.20  | 0.00     |
| CBA      | Commonwealth Bank           | 14 Aug 2019      | 26 Sep 2019       | 231.00 | 100.00   |
| RMD      | ResMed                      | 14 Aug 2019      | 19 Sep 2019       | 4.03   | 0.00     |
| SUN      | Suncorp Group               | 14 Aug 2019      | 25 Sep 2019       | 44.00  | 100.00   |
| TCXMSF   | --                          | 14 Aug 2019      | 26 Sep 2019       | 46.20  | 0.00     |
| IAG      | Insurance Aust. Grp.        | 19 Aug 2019      | 30 Sep 2019       | 20.00  | 70.00    |

- Learn To Invest
- Stocks
  - ASX Market Report
  - Overseas Market Report
- YMW Issue
- Newsletter Archive
- Research Archive
- Rating Changes



# Market Index

## Upcoming Dividends for ASX Companies

Dividends are usually announced to the market 4-6 weeks before the ex-dividend date. To receive a dividend, shares in a company must be purchased BEFORE the ex-dividend date.

ETF and LIC dividend amounts aren't always available.

All amounts in Australian Dollars (AUD).

Can sort by  
"Yield"

| Code                | Company                | Days | ↕ Ex-Date   | Amount  | Franking | Type  | Pay-Date    | ↕ Yield |
|---------------------|------------------------|------|-------------|---------|----------|-------|-------------|---------|
| <a href="#">PPC</a> | Peet Limited           | 0    | 18 Sep 2019 | \$0.030 | 100%     | Final | 07 Oct 2019 | 2.54%   |
| <a href="#">SGF</a> | SG Fleet Group Limited | 0    | 18 Sep 2019 | \$0.095 | 100%     | Final | 10 Oct 2019 | 3.84%   |
| <a href="#">PSQ</a> | Pacific Smiles Group   | 0    | 18 Sep 2019 | \$0.035 | 100%     | Final | 04 Oct 2019 | 2.16%   |
| <a href="#">KKT</a> | Konekt Limited         | 0    | 18 Sep 2019 | \$0.010 | 100%     | Final | 29 Nov 2019 | 3.57%   |
| <a href="#">WEB</a> | Webjet Limited         | 0    | 18 Sep 2019 | \$0.135 | 100%     | Final | 10 Oct 2019 | 1.13%   |
| <a href="#">PEA</a> | Pacific Energy         | 0    | 18 Sep 2019 | \$0.015 | 100%     | Final | 10 Oct 2019 | 1.35%   |

Divid  
Harve



## Upcoming Stock Dividends

Can sort by  
"Franking"

The following table includes dividends for all stocks that have been announced as of September 17, 2019. Yields are calculated using previous trading day closing share price data.

Where is  
Div Yield?

Show 20 entries

Search:

| Code | Company                     | Amount   | Franking % | Ex Dividend Date | Payable Date |
|------|-----------------------------|----------|------------|------------------|--------------|
| SGN  | 5G NETWORKS                 | 0.01     | 100.00%    | 19-09-2019       | 18-10-2019   |
| CIW  | CLIME INVESTMENT MANAGEMENT | 0.015    | 100.00%    | 19-09-2019       | 03-10-2019   |
| SPK  | SPARK NEW ZEALAND           | 0.113846 | 0.00%      | 19-09-2019       | 04-10-2019   |
| COH  | COCHLEAR                    | 1.75     | 100.00%    | 19-09-2019       | 14-10-2019   |
| CWN  | CROWN RESORTS               | 0.3      | 25.00%     | 19-09-2019       | 04-10-2019   |
| SWK  | SWICK MINING SERVICES       | 0.006    | 100.00%    | 19-09-2019       | 18-10-2019   |



# Problems

---

Remember that companies do not announce the concise dividend payment details until close to the date.

- Most dividend information is limited to the “latest” dividend payment, or the “next” payment IFF it is due very soon.
- So, how to estimate when the next dividend might be due?



# When is next div due?

---

If “current” div payments are not yet announced, how to estimate when the next div might be due?

- Check historical records to see when last paid.
- Add ~180 days to the last ex-div date.



# Historic dividend payments

---

**How to find  
historical dividend details?**



<https://www.asx.com.au/asx/markets/dividends.do>

| Code                | Company Name      | Div Amount | Ex Div Date | Record Date | Date Payable | % Franked | Type    | Further Information                     |
|---------------------|-------------------|------------|-------------|-------------|--------------|-----------|---------|---|
| <a href="#">BHP</a> | BHP GROUP LIMITED | 88.5453c   | 06/09/2018  | 07/09/2018  | 25/09/2018   | 100%      | Final   | USD 63C FRANKED@30%; DRP NIL DISCOUNT   |
| <a href="#">BHP</a> | BHP GROUP LIMITED | 141.2742c  | 10/01/2019  | 11/01/2019  | 30/01/2019   | 100%      | Interim | USD 102C FRANKED@30% ;SPECIAL; DRP SUSP |
| <a href="#">BHP</a> | BHP GROUP LIMITED | 78.0806c   | 07/03/2019  | 08/03/2019  | 26/03/2019   | 100%      | Interim | USD 55C FRANKED@30%; DRP NIL DISC       |
| <a href="#">BHP</a> | BHP GROUP LIMITED | 113.7026c  | 05/09/2019  | 06/09/2019  | 25/09/2019   | 100%      | Final   | USD 78C FRANKED@30%; DRP NIL DISC       |



**Lots of information  
about dividend history...**

<https://www.sharedividends.com.au/bhp-dividend-history/>



# ShareDividend.com.au...



Australia's original...  
**SHAREDIVIDENDS.COM.AU**  
ASX share dividend data, information & resources

HOME    UPCOMING DIVIDENDS    DIVIDEND YIELD SCANNER    DIVIDEND HISTORY    RESOURCES

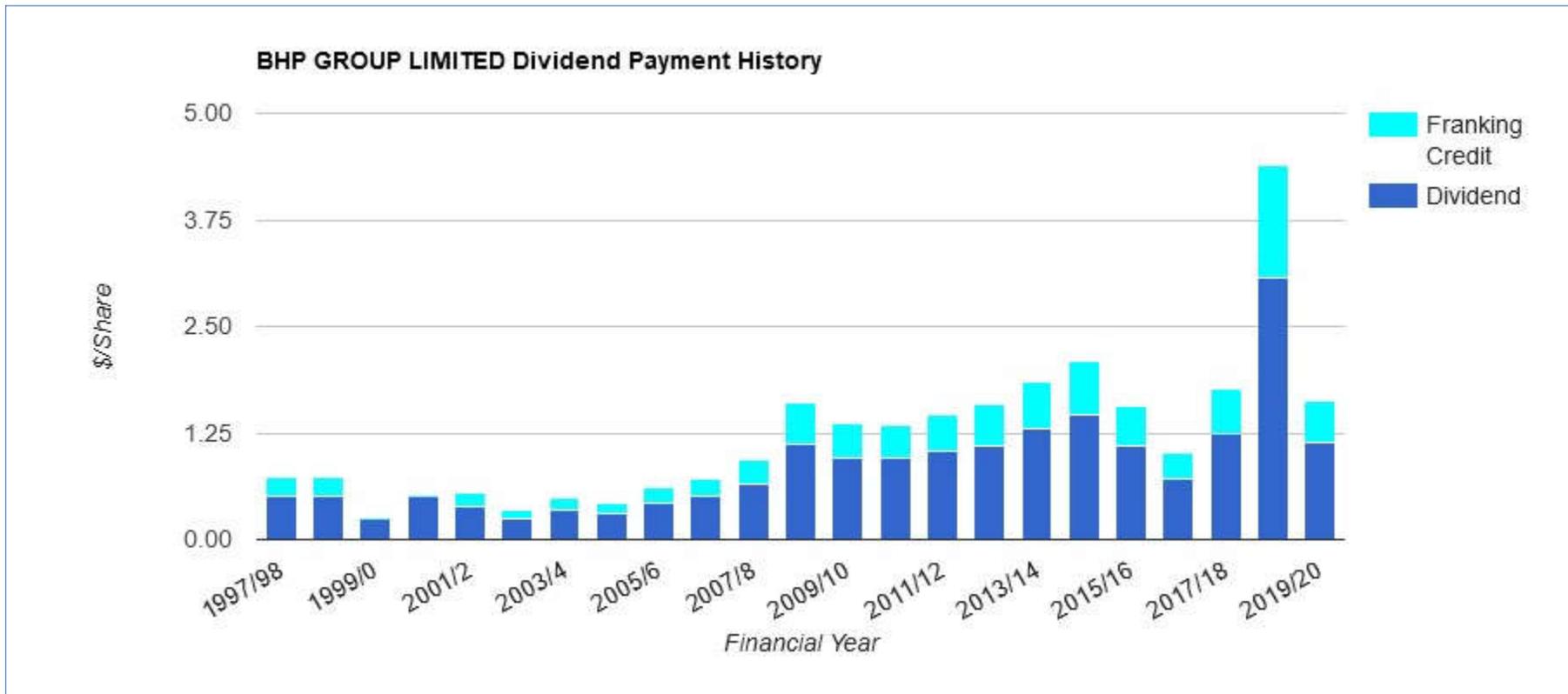
## BHP Dividend History

Search ASX Dividends:

More over.../



# ShareDividend.com.au...



More over.../



## DIVIDEND PAYMENT HISTORY FOR BHP GROUP LIMITED(BHP)

Search:

| Ex Dividend Date | Record Date | Payable Date | Amount    | Franking Rate | Franking Credit | Gross Dividend | Further Information                             |
|------------------|-------------|--------------|-----------|---------------|-----------------|----------------|---|
| 05-09-2019       | 06-09-2019  | 25-09-2019   | \$ 1.1370 | 100.00%       | \$ 0.4873       | \$ 1.6243      | USD 78C<br>FRANKED@30%; DRP<br>NIL DISC; EST\$A |
| 07-03-2019       | 08-03-2019  | 26-03-2019   | \$ 0.7808 | 100.00%       | \$ 0.3346       | \$ 1.1154      | USD 55C<br>FRANKED@30%; DRP<br>NIL DISC         |
| 10-01-2019       | 11-01-2019  | 30-01-2019   | \$ 1.4127 | 100.00%       | \$ 0.6055       | \$ 2.0182      | USD 102C<br>FRANKED@30%<br>;SPECIAL; DRP SUSP   |
| 06-09-2018       | 07-09-2018  | 25-09-2018   | \$ 0.8855 | 100.00%       | \$ 0.3795       | \$ 1.2649      | USD 63C<br>FRANKED@30%; DRP<br>NIL DISCOUNT     |
| 08-03-2018       | 09-03-2018  | 27-03-2018   | \$ 0.7059 | 100.00%       | \$ 0.3025       | \$ 1.0084      | US 55C FRANKED<br>@30%                          |
| 07-09-2017       | 08-09-2017  | 26-09-2017   | \$ 0.5295 | 100.00%       | \$ 0.2269       | \$ 0.7564      | US 43C FRANKED<br>@30%                          |
| 09-03-2017       | 10-03-2017  | 28-03-2017   | \$ 0.5318 | 100.00%       | \$ 0.2279       | \$ 0.7597      | US 40C FRANKED<br>@30%; EST AUD                 |



# Tax issues?

- Refer to ATO:

[https://www.ato.gov.au/Forms/You-and-your-shares-2013-14/?page=11#Holding\\_period\\_rule](https://www.ato.gov.au/Forms/You-and-your-shares-2013-14/?page=11#Holding_period_rule)

Australian Government  
Australian Taxation Office

Enter search term

Home Individuals Business Not-for-profit Super Tax professionals About ATO

### You and your shares 2013-14

You might not be entitled to claim a franking tax offset

Your entitlement to a franking tax offset may be affected by:

- > the holding period rule
- > the related payments rule
- > the dividend washing integrity rule.

The holding period rule and the related payments rule prevent you from claiming the franking credit even if a dividend is accompanied by a dividend statement advising that there is a franking credit attached to the dividend.

Your entitlement to a franking tax offset can also be affected if:

- > you, or your company, undertake a dividend streaming or stripping arrangement, or
- > you enter into a scheme to get franking credits (referred to as franking credit trading).

#### Holding period rule

The holding period rule requires you to continuously hold shares 'at risk' for at least 45 days (90 days for certain preference shares) to be eligible for the franking tax offset. However, under the small shareholder exemption this rule does not apply if your total franking credit entitlement is below \$5,000, which is roughly equivalent to receiving a franked dividend of \$11,666 (based on the current tax rate of 30% for companies).

Ask Alex

See over.../





## You and your shares 2013-14

How to obtain this  
publication

About this guide



What's new this year



Basic concepts



How does a company  
pay dividends and  
distribution?



How dividends are  
taxed



How non-share  
dividends are taxed



## You might not be entitled to claim a franking tax offset

Your entitlement to a franking tax offset may be affected by:

- > the holding period rule
- > the related payments rule
- > the dividend washing integrity rule.

The holding period rule and the related payments rule prevent you from claiming the franking credit even if a dividend is accompanied by a dividend statement advising that there is a franking credit attached to the dividend.

Your entitlement to a franking tax offset can also be affected if:

- > you, or your company, undertake a dividend streaming or stripping arrangement, or
- > you enter into a scheme to get franking credits (referred to as franking credit trading).

### Holding period rule

The holding period rule requires you to continuously hold shares 'at risk' for at least 45 days (90 days for certain preference shares) to be eligible for the franking tax offset. However, under the small shareholder exemption this rule does not apply if your total franking credit entitlement is below \$5,000, which is roughly equivalent to receiving a fully franked dividend of \$11,666 (based on the current tax rate of 30% for companies)



Ask Alex

# Tax complications

---

If your situation is impacted\* by “the 45-day rule”, then make sure to hold for 45 days.

- Calculate the date that is 45 days **BEFORE** the ex-div date so you can buy before that date and hold until ex-div; OR
- Calculate the date 45 days **AFTER** the ex-div date so you can buy just before ex-div date

\* – Note that you might NOT be impacted, so seek tax advice.



# Strategy thoughts

---

- Could look at share price months in advance; but dividend details might not be known for a long time;
- Dividend yield? — Might change until the details are announced;
- Be mindful of the Dividend Yield. Many investors will NOT chase a value less than about 4%.



# Strategy thoughts #2

---

- In the approach to Dividend Season, run a weekly BullCharts scan (on weekly price data) in search of dividend details;
- Sort the scan by “ex-div date”;
- For any companies whose details are not yet known, take the last ex-div date and add about 6 months to find approx expected ex-div date.



# My BullCharts scan (wkly)

- Show the **Symbol** and **Security name**; Show the **Ex-dividend date**; Show the **Dividend payable date**
- Show the **Current dividend** amount (\$/c)
- Show the **Total dividend per share** (pa) — The total of the interim and final dividend amounts.
- Show the **Dividend yield** (%pa) — The total dividend per share divided by the latest end-of-day share price.
- Show the **% Franked** — The franking amount (%)
- Show the **PE Ratio** — The latest Price/Earnings Ratio calculated using the latest end-of-day share price and the last (historic) earnings estimate (which will usually change only 6-monthly).
- Show the **Latest end-of-day share price**; Show the **Market cap** (in millions)
- **Calculate the share price rate of change** — The percentage change in the 30-week Exponential Moving Average (EMA) of the share price over the last 3 weeks. To indicate the approximate change in share price over the previous 3 weeks, for comparison of one company's recent share price performance to another.
- **Calculate the ex-dividend date less 45 days** — To indicate the approximate start of the Holding Period for a possible disposal at about the ex-dividend date.
- **Calculate the ex-dividend date plus 45 days** — To indicate the approximate end of the Holding Period for a possible purchase at about the ex-dividend date.
- **Calculate the ex-dividend date plus 180 days** — This date might be useful for the stocks where the next dividend payment details are not yet announced, as the last payment date plus 6 months might be a good indication of the next possible payment date.



# References #1

- Morning star
  - <https://www.morningstar.com.au/Stocks/UpcomingDividends>
- Market Index
  - <https://www.marketindex.com.au/upcoming-dividends>
- Share Dividends
  - <https://www.sharedividends.com.au/upcoming-dividends/>
- Dividend Harvester
  - <https://www.dividendharvester.com.au/>



# References #2

- ATO and tax implications

- [https://www.ato.gov.au/Forms/You-and-your-shares-2013-14/?page=11#Holding\\_period\\_rule](https://www.ato.gov.au/Forms/You-and-your-shares-2013-14/?page=11#Holding_period_rule)

- Shopping for shares  
(Tracey Edwards)

- <https://shoppingforshares.com/dividend-stripping-strategy/>



# SUMMARY

- Dividend harvesting
- Not as simple as some people make out
- Useful information is not that easy to get.



Thank you

Questions?



# Brainy's *Share Market Toolbox*

- More information on this topic and others;
- Technical Analysis information;
- Subscribing Toolbox Members have access to lots more information;
- A special version of this slide set including “Speaker Notes” will soon be available to Toolbox Members.

**See details here:**

**[www.robertbrain.com](http://www.robertbrain.com)**

