

## Senior Dividend Clienteles

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The presence of dividend clienteles has received a great deal of attention from the literature. One such clientele is the senior dividend clientele. Becker et al. [1] find empirical evidence that senior citizens demand dividends. Specifically, their results indicate that firms headquartered in counties with a relatively large proportion of citizens over the age of 65 are more likely to pay dividends. This preference may be due to consumption purposes as seniors may be relatively more likely to need the regular cash flows provided by dividends to meet recurring expenses. This belief is commonly held and is often referenced in the popular press and in academic research.

However, recent evidence from Lee et al. [2] indicates that the cross-sectional results of prior literature do not generalize to time series tests. Specifically, when the change in the proportion of seniors in a given county is considered, there is no relation between seniors and firm payout policy. Instead, the results suggest that firm characteristics such as earnings volatility primarily drive the payout decision. Thus, while seniors may indeed prefer dividends, it does not appear as though they are able to influence firm policy. Alternatively, it is possible that seniors do not prefer dividends relative to repurchases or reinvestment.

The issue of senior dividend clienteles is particularly relevant

as firms may wish to cater to seniors, a group that will represent a significant and growing proportion of individual retail investors in the coming years. Thus, the preference for dividends by seniors, or lack thereof, is likely to continue to be of great interest.

Overall, further evidence and discussion on this issue are needed. Optimally, future research will further identify the preferences of senior investors while also considering the observed and future impact of an aging populous in the U.S. Thus, the time series dynamics of population characteristics must be carefully considered in addition to cross sectional considerations. Firms may be wise to exercise caution in attempting to attract seniors through the issuance of dividends. This practice, if undertaken only to market to senior investors, could be costly and unnecessary if there is in fact a limited relation between seniors and dividends. Indeed, firm needs and preferences should continue to drive payout policy.

### References

1. Becker B, Ivkovic Z, Weisbenner S (2011) Local dividend clienteles. *J Financ* 66: 655-683.
2. Lee BS, Krieger K, Mauck N (2013) Do senior citizens prefer dividends? Local clienteles vs. firm characteristics. *Journal of Corporate Finance* 23: 150-165.

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