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Dividend's end inevitable, experts say

Loss of traditional income will leave many unhappy, but yield too rich for stock price.

Brian J. O'Connor
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General Motors Corp.'s decision to suspend its \$1 annual dividend for the first time in 86 years won't sit well with Greg Fortune's family.

"My own godmother worked at GM for 30-some years and will never let her GM stock go," said Fortune, a certified financial planner in West Bloomfield. "She says, 'Well, at least the dividends come in and I've got that spending money.'"

Not anymore, ma'am.

Anyone else holding stock in GM is going to miss that quarterly 25 cents per share, too, but market watchers say it had to go. While the ratio of annual dividends to GM's share price looked good on paper lately -- more than percent -- it was too rich considering the weakness of GM and the auto 10 sector.

"A blue-chip company should never have a 10 percent dividend yield," said Fortune, who manages The Professional Advisor Group. "Normally, you should be in the 4 percent range at the most."

For most investors it would be better to see GM mend its cash position and boost the share price, experts said Tuesday, noting that the slide in GM's stock during the last 12 months wiped out more than 30 years of dividend payments.

Cutting the dividend likely hurt the stock price Tuesday, offsetting the gains from the company's moves to silence fears that it might run out of cash and head into bankruptcy protection.

Still, GM shares did gain slightly after the automaker's announcement of yet another restructuring plan, even though it wasn't enough to break the troubled auto giant out of the single digits. Wall Street analysts dismissed the moves as temporary measures that will keep GM going but don't show a way forward in the stark new realities of the auto market.

GM stock closed up 46 cents at \$9.84 cents,

a gain of 4.9 percent, even as the rest of the Dow Jones industrial average dropped below 11,000 for the first time since July 2006. GM remains the weakest of the Dow index stocks, with the lowest total value of outstanding shares, and is the only Dow stock trading under \$10.

Analysts from Goldman Sachs Group wrote that "in the current environment investors remain skeptical on GM's ability to execute" and that "we think operating fundamentals are likely to continue to deteriorate... with ... few positive catalysts to support the shares."

Many financial planners say they advised clients long ago to move out of GM stock -- regardless of the dividend -- and that few individual investors have portfolios large enough to warrant moving beyond mutual funds and investing in shares of individual companies.

"For somebody who has 4,000 shares, the dividend was \$1,000 a quarter," said Brian Roehl, a financial adviser with Labrecque, Jackson Price & Roehl in Troy. "But someone who has 4,000 shares of GM probably has other investments, too."

That goes double for GM workers, even if they only hold GM stock in their 401(k) retirement plans, said David Kudla, CEO of Mainstay Capital Management in Grand Blanc. Workers already are heavily invested in GM for their paychecks -- at least for now.

"We hold company stock at very low levels within the accounts we manage, from 1 percent to 3 percent," Kudla said.

Despite that, advisers do see retired GM workers or GM family members who've stubbornly held on to GM shares and are now stuck with no dividend and shares priced too low to bother selling.

"Those are people," said Fortune, "who only have a company because of heartstrings instead of business decisions."