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INVESTING FOR GROWTH VERSUS INVESTING FOR DIVIDENDS

Though hardly a perfect proxy for the broad category called "income stocks," electric utilities historically have been the most popular common stocks purchased for that purpose. Similarly, though hardly even a good proxy for the broad category called "growth stocks," the common stocks of companies in non-regulated industries are more apt to be growth companies than are utilities.

It this regard it is useful to contrast the performance of the Dow-Jones Industrial Average versus the Dow Jones Utility Average over longer spans of time, in terms of the differences in dividend income and capital appreciation delivered by each. The following table provides such a comparison:

THE DOW-JONES INDUSTRIALS VERSUS THE DOW-JONES UTILITIES FOR A $100 INVESTMENT

	For Periods Ending December 31, 1998			
	5 Years	10 Years	15 Years	20 Years
Average Annual Dividends Sacrificed to Own Industrials vs. Utilities	$ 3.31	$ 3.34	$ 3.83	$ 3.98
Average Annual Incremental Growth Achieved by Owning Industrials vs. Utilities	$13.21	$10.22	$ 8.25	$ 6.99
Average Annual Incremental Growth Achieved Per Dividend Dollar Sacrificed	$ 3.99	$ 3.06	$ 2.15	$ 1.76

Data Derived from CDA/Wiesenberger

In addition to the higher rates of return delivered via capital appreciation versus dividend income, currently, while the latter are taxed at regular income rates, the former are taxed at lower capital gains rates.

Based upon the experience of the past twenty years, it appears that those investors willing to accept capital gains income in lieu of some dividend income have enjoyed considerably greater after-tax returns.

Income stocks tend to deliver higher dividend yields for a combination of two reasons: First, the underlying companies pay out a larger part of their total profits in dividends because they do not have promising opportunities for reinvesting those profits; and, in addition, the prices of such stocks tend to be relatively low because the investing public recognizes such companies as poor vehicles for growth.

Growth stocks tend to deliver lower dividend yields for the opposite reasons: First, the underlying companies retain a large part of their total profits because they have promising opportunities for reinvesting those profits; and, second, the prices of such stocks tend to be higher because the investing public perceives such companies as good vehicles for growth.

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