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It just might be the best stock investing story barely ever told: dividend growth.

Stock investors hone in on the price of stocks or the level of stock market indices. The second by second measurable change catches our attention while we miss the quiet part: dividend payments typically grow faster than inflation (what other income investment can say that?) and, historically, has been far less volatile than the stock price itself.

For 2018, according to politicalcalculations.com, the combined dividend per share for the S&P 500 was $53.75. Ten years prior, in the midst of the financial crisis, the same dividend stood at $28.39. That's almost a doubling of the income.

If you instead had bought a safe government bond ten years ago you would have received an interest payment *which would not have grown*.

On top of that there's inflation which over these ten years clocked in at 1.8% per year. The principal returned on the 10-year government bond investment would have lost 16.6% to inflation. If you feel your fixed income doesn't go as far as it used to do you'd be right.

This is part of the risk of near-term investment safety like that offered by government bonds: in the longer run we may miss out on income growth and also expose ourselves to loss of buying power.

Mind you, there are periods when dividends have gone down. Last time this happened was during the financial crisis ten years ago when dividends were reduced by 24% between September, 2008, and March, 2010. It took until August, 2012, four years, to catch the high watermark.

So, this sounds sorta ok, doesn't it? Dividends have grown more than inflation but from time to time they'd take a step back before moving forward again.

And, sorry to harp on this but if you're looking for investment income the most commonly touted alternative is interest payments from bonds. Barring defaults you should not experience income drops but for most bonds you also lock yourself in not to grow your income and thereby exposing yourself completely to the slow erosion of inflation.

Of course, with stock investing your principal value will likely see much greater fluctuations than for bonds. Last year, ignoring dividends, the S&P 500 lost 6%. Yet, dividends were increased by 9.8%. That's the part of the stock investing story we need to remember as we're unlikely to see it mentioned much in the news.

Is this to say income investors should buy stocks and leave bonds alone? Not at all. If you think you might need your principal over the next 5 years or so you should know that despite collecting dividends you may very well experience loss of value as stocks could drop. That's how stocks work. The ups and downs are part and parcel of stock investing; enduring the nasty downs is how you benefit from the powerful ups.

Also, if your temperament is such that you'll be tempted to sell if you see your investments lose value, well, then stocks may not suit you regardless how much potential there is for income growth.

Still, I believe that if you focus on how much your stock portfolio generates in income, and not just on the portfolio value, you may find it easier to hold on.

Good luck.

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