

## Dividends or Capital Appreciation?

The technical term for the gain in the value of an investment brought about by higher prices is capital appreciation. Capital appreciation is the amount by which the value of that investment gains over time from what you paid for it. You can work towards building your retirement savings by emphasizing capital appreciation—buying growth stock funds and hoping that growth will eventually bring a higher price for those investments. If you have a long enough time horizon to ride out the years in which stock prices don't rise, you might consider making capital appreciation one of your primary goals.

### Dividends pay

Investing for dividends may deliver at least some money to your account even when the stock market is going through a bad patch. Of course, dividends are not guaranteed and there are times when they may not be paid out at all, but the shorter your time horizon, the more reason to balance funds that stress capital appreciation with funds that pay dividends. Dividend-paying funds offer a second path to investment returns in years when capital appreciation investments don't grow in value.

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