

Internet Appendix to “Local Dividend Clienteles”*

Table IA.I

Dividend Payout and Local Seniors

This table presents regression results for firm dividend payout behavior, estimated over the sample of pooled observations from the 1980, 1990, and 2000 cross-sections. The regressions and all the variables mirror those from Table II of the main article (see Table II of the main article for further details). Instead of OLS (featured in Table II of the main article), in this table a probit model is employed for the regression results reported in the first and third columns, a logit specification is employed for the results reported in the second and fourth columns, and a tobit model is employed for the regression results reported in the fifth column. Standard errors (shown in parentheses) allow for heteroskedasticity and are clustered by firm. ***, **, * denote significance at the 1%, 5%, and 10% levels, respectively.

* Citation format: Becker, Bo, Zoran Ivković, and Scott Weisbenner, 2011, Internet Appendix to “Local Dividend Clienteles,” *Journal of Finance* 66, 655 - 683, <http://www.afajof.org/supplements.asp>. Please note: Wiley-Blackwell is not responsible for the content or functionality of any supporting information supplied by the authors. Any queries (other than missing material) should be directed to the authors of the article.

Table IA.I
Dividend Payout and Local Seniors (continued)

	Dividend Payer		Dividend Initiation		Dividend Yield
	Probit	Logit	Probit	Logit	Tobit
Local Seniors	2.7*** (0.8)	4.1*** (1.4)	9.2*** (2.5)	16.2*** (4.7)	13.4*** (2.5)
Net Income	3.1*** (0.9)	7.8*** (0.9)	1.1* (0.6)	0.91 (0.74)	6.3*** (0.8)
Cash	-0.45*** (0.18)	-1.0*** (0.3)	1.2*** (0.3)	2.1*** (0.6)	1.2** (0.5)
Q	-0.16*** (0.03)	-0.31*** (0.05)	-0.60*** (0.10)	-0.39*** (0.09)	-0.35*** (0.06)
Debt	-0.68*** (0.13)	-1.0*** (0.2)	-0.89** (0.37)	-1.4** (0.7)	-2.4*** (0.4)
Volatility	-10.3*** (0.6)	-20.0*** (1.0)	-2.3*** (0.8)	-4.3*** (1.6)	-37.6*** (1.4)
Two-year Lagged Return	0.02 (0.03)	0.01 (0.05)	0.14*** (0.05)	0.14 (0.10)	0.15* (0.09)
Log of Market Value	0.36*** (0.04)	0.61*** (0.06)	0.38*** (0.09)	0.39*** (0.14)	0.31*** (0.10)
Log of Assets	-0.07* (0.04)	-0.08 (0.07)	-0.18** (0.09)	-0.09** (0.13)	0.19* (0.10)
Asset Growth	-0.43*** (0.10)	-0.73*** (0.19)	-0.21 (0.24)	-0.43 (0.52)	-2.2*** (0.3)
Age 1-5	-0.59*** (0.07)	-1.08*** (0.12)	-0.03 (0.18)	-0.11 (0.34)	-0.51** (0.22)
Age 6-10	-0.69*** (0.05)	-1.21*** (0.10)	-0.43*** (0.16)	-0.63** (0.30)	-1.56*** (0.17)
Age 11-15	-0.53*** (0.06)	-0.95*** (0.11)	-0.35* (0.19)	-0.50 (0.36)	-1.19*** (0.20)
Age 16-20	-0.25*** (0.06)	-0.47*** (0.10)	-0.10 (0.19)	-0.19 (0.37)	-0.46** (0.18)
Pseudo R ²	0.558	0.566	0.321	0.124	0.161
Number of Observations	12,107	12,107	6,200	6,200	12,107

Table IA.II**Economic Magnitudes of Effects of Local Seniors and Various Firm-specific Controls on Dividend Policy**

This table is based upon the regression coefficients reported in Table II of the main article. It presents the effects of a one-standard deviation increase in a given independent variable on firm dividend policy. Each panel in this table, pertaining to one dividend payout variable, corresponds to a column in Table II of the main article. The first column of this table replicates the coefficients and significance levels of *Local Seniors* and key firm-level independent variables. The second column features the standard deviations of the independent variables in the sample. The third column presents the effects of a one-standard deviation increase of the independent variable on firm dividend policy (expressed in percentage points). Finally, the fourth column presents the ratio of that effect to the sample average of the respective dividend policy variable (expressed in percentage points). ***, **, * denote significance at the 1%, 5%, and 10% levels, respectively.

Panel A: Dividend Payer (sample average = 47.4)				
	Regression Coefficient	Std. Dev of Variable	1-Std. Dev Effect	1-SD Effect / Avg. of Div. Payer
Local Seniors	59.3***	0.031	1.8	3.9%
Cash	-9.7***	0.17	-1.6	-3.5%
Q	-2.5***	1.9	-4.7	-10.0%
Debt	-16.8***	0.19	-3.2	-6.7%
Volatility	-131.4***	0.09	-11.8	-24.9%
Two-Year Lagged Return	-0.05	1.08	-0.1	-0.1%
Log of Market Value	9.2***	2.3	21.2	44.6%
Panel B: Dividend Initiation (sample average = 2.0)				
	Regression Coefficient	Std. Dev of Variable	1-Std. Dev Effect	1-SD Effect / Avg. of Div. Payer
Local Seniors	32.9***	0.031	1.0	51.0%
Cash	3.7***	0.17	0.6	31.5%
Q	-0.4***	1.9	-0.8	-38.0%
Debt	-2.6***	0.19	-0.5	-24.7%
Volatility	-6.3***	0.09	-0.6	-28.4%
Two-Year Lagged Return	0.32*	1.08	0.4	17.3%
Log of Market Value	0.44**	2.3	1.0	50.6%
Panel C: Dividend Yield (sample average = 1.9)				
	Regression Coefficient	Std. Dev of Variable	1-Std. Dev Effect	1-SD Effect / Avg. of Div. Payer
Local Seniors	7.4***	0.031	0.23	12.1%
Cash	0.9*	0.17	0.15	8.1%
Q	-0.06**	1.9	-0.11	-6.0%
Debt	-1.1***	0.19	-0.21	-11.0%
Volatility	-6.3***	0.09	-0.57	-29.8%
Two-Year Lagged Return	-0.04	1.08	-0.04	-2.3%
Log of Market Value	0.04	2.3	0.09	4.8%

Table IA.III
Reduction in R² When Omitting a Variable

This table is based upon the regressions reported in Table II of the main article. It presents the effects of omitting an independent variable on the regression R² for several independent variables. Each column in this table corresponds to its respective column in Table II of the main article. The first row of each column replicates the adjusted R² for the full regression, as presented in Table II of the main article. Subsequent rows present, for several independent variables, the reduction of that adjusted R² that results from estimating the regression with the corresponding independent variable omitted.

	Dividend Payer	Dividend Initiation	Dividend Yield
Adjusted R ² for full specification	52.8%	8.6%	29.5%
Reduction of Adjusted R ² when variable is omitted			
Local Seniors	0.1%	0.2%	0.2%
Net Income	0%	0%	0%
Cash	0.1%	0.2%	0.1%
Q	0.4%	0.2%	0%
Debt	0.3%	0.1%	0.2%
Volatility	2.8%	0.1%	0.1%
Two-Year Lagged Return	0%	0%	0%
Log of Market Value	1.6%	0%	0%
Age variables	1.6%	0.1%	0.4%

Table IA.IV
Dividend Omissions and Local Seniors

This table presents regression results for the likelihood that a firm stops paying dividends, estimated over the sample of pooled observations from the 1980, 1990, and 2000 cross-sections. The dependent variable, *Dividend Omission*, is measured one year after the firm-level controls (i.e., in 1981, 1991, and 2001, respectively). It is an indicator variable, defined for firms that paid dividends during year t , equal to zero for the firms that remain payers in year $t+1$, and 100 for firms that do not pay dividends in year $t+1$. The control variables mirror those from Table II of the main article and Table IA.I (see Table II of the main article for further details). Results from an OLS regression are displayed in the first column, with regression coefficients from probit and logit models displayed in the second and third columns, respectively. Standard errors (shown in parentheses) allow for heteroskedasticity and are clustered by firm. ***, **, * denote significance at the 1%, 5%, and 10% levels, respectively.

	OLS	Probit	Logit
Local Seniors	-4.6 (13.6)	-0.61 (1.85)	-1.5 (3.9)
Net Income	-61.8*** (17.2)	-3.2*** (1.2)	-8.2** (3.3)
Cash	0.8 (3.2)	0.07 (0.46)	0.0 (1.0)
Q	2.7*** (0.5)	0.23*** (0.03)	0.44*** (0.08)
Debt	-1.3 (3.2)	0.53* (0.30)	0.88 (0.64)
Volatility	119.2*** (11.9)	10.5*** (1.3)	22.2*** (2.9)
Two-Year Lagged Return	-2.8*** (0.5)	-0.42*** (0.14)	-1.2*** (0.3)
Log of Market Value	-5.4*** (0.9)	-0.90*** (0.10)	-1.6*** (0.2)
Log of Assets	3.8*** (0.9)	0.55*** (0.09)	1.0*** (0.2)
Asset Growth	-7.5*** (2.5)	-0.80*** (0.28)	-1.6*** (0.6)
Pseudo R ²	0.240	0.505	0.516
Number of Observations	5,907	5,907	5,907

Table IA.V
Propensity of Sale and Local Seniors

The Cox proportional hazards model employs a nonparametric estimate of the baseline hazard (i.e., the probability of selling the stock in month t after the purchase, conditional on no prior sale). The first column features a common baseline hazard $\lambda_0(t)$, whereas the next two columns report results allowing for stock-specific baseline hazards $\lambda_j(t)$. The proportional hazards model (assuming a common-baseline hazard rate) takes the functional form of $\lambda_0(t) * e^{X_{i,t}\beta}$, where:

$$X_{i,t}\beta = \beta_1 * GAIN_{i,t-1} + \beta_2 * GAIN_{i,t-1} * December_{i,t} + \beta_3 * LOSS_{i,t-1} + \beta_4 * LOSS_{i,t-1} * December_{i,t} + \beta_5 * December_{i,t} + \beta_6 * Local_i + \beta_7 * Senior_{i,t} + \beta_8 * Local_i \times Senior_{i,t} + \varepsilon_{i,t}.$$

$GAIN = \max(return, 0)$ and $LOSS = \min(return, 0)$, where $return$ is defined as the capital appreciation of the stock since purchase. $December$ is an indicator variable equal to one for December observations, and zero otherwise. $Local$ is an indicator variable equal to one if the company headquarters are located within 250 miles of the household, and zero otherwise. $Senior$ is an indicator variable equal to one if the investor is 65 years of age or older, and zero otherwise. All regressions are estimated over the full sample of 1,409,587 observations (i.e., potential monthly sale decisions), based on common-stock purchases made by slightly more than 30,000 households through a large discount broker over the period from 1991 to 1996. Standard errors (shown in parentheses) allow for heteroskedasticity as well as correlation across observations of the same household. ***, **, * denote significance at the 1%, 5% and 10% levels, respectively.

	Common Baseline	Stock-specific Baselines	
	(1)	(2)	(3)
GAIN	0.09*** (0.01)	0.09*** (0.02)	0.09*** (0.02)
Local x Senior x GAIN			0.04 (0.10)
GAIN x December	-0.02 (0.03)	-0.10** (0.05)	-0.09** (0.05)
Local x Senior x GAIN x December			-0.19 (0.44)
LOSS	1.08*** (0.04)	1.65*** (0.05)	1.66*** (0.05)
Local x Senior x LOSS			-0.32 (0.30)
LOSS x December	-2.32*** (0.08)	-2.52*** (0.10)	-2.52*** (0.10)
Local x Senior x LOSS x December			-0.14 (0.64)
December	0.14*** (0.02)	0.15*** (0.02)	0.15*** (0.02)
Local x Senior x December			0.15 (0.17)
Local (250 miles)	-0.14*** (0.01)	-0.14*** (0.01)	-0.14*** (0.01)
Senior (65+)	-0.13*** (0.02)	-0.05*** (0.02)	-0.05*** (0.02)
Local (250 miles) x Senior (65+)	-0.11*** (0.04)	-0.14*** (0.04)	-0.18*** (0.06)

Table IA.VI
Dividend Payout and Local Seniors, Mover Regressions

This table presents results of OLS regressions that relate changes in dividend payer status to changes in *Local Seniors*, as well as changes in the other independent variables described in Table VI of the main article. The results are presented in five columns, corresponding to post-move horizons of one to five years, for the change regressions estimated over the full sample. The coefficients associated with the variables *Change in Local Seniors* and *Firm Moved* reported below are also reported in the second column of each of the five panels presented in Table VI of the main article. Standard errors (shown in parentheses) allow for heteroskedasticity and are clustered by firm. ***, **, * denote significance at the 1%, 5%, and 10% levels, respectively.

	1 Year Post-move	2 Years Post-move	3 Years Post-move	4 Years Post-move	5 Years Post-move
Change in Dividend payer Status	Relative to 1 Year Pre-move	Relative to 1 Year Pre-move	Relative to 1 Year Pre-move	Relative to 1 Year Pre-move	Relative to 1 Year Pre-move
Change in Local Seniors	98.1** (41.1)	163.2** (69.6)	187.1** (82.4)	213.4** (89.1)	300.9*** (114.3)
Firm Moved	1.0 (1.4)	-0.2 (1.6)	-0.7 (2.2)	-0.8 (2.6)	0.8 (3.6)
Change in Net Income	-1.2* (0.7)	-1.5* (0.8)	-3.2*** (0.9)	-2.5** (1.2)	-2.9* (1.5)
Change in Cash	1.5 (1.7)	-0.7 (1.9)	-0.5 (2.3)	2.3 (2.6)	4.1 (3.0)
Change in Q	-0.37*** (0.12)	-0.65*** (0.14)	-0.91*** (0.17)	-1.18*** (0.22)	-1.16*** (0.25)
Change in Debt	-1.1 (1.9)	-3.7* (2.2)	-7.8*** (2.7)	-6.8** (2.8)	-7.4*** (2.9)
Change in Volatility	-21.5*** (3.0)	-32.6*** (3.7)	-44.8*** (4.6)	-52.9*** (5.6)	-58.9*** (7.1)
Change in Two-year Lagged Return	-0.49** (0.20)	-0.57** (0.24)	-0.36 (0.31)	-0.66** (0.34)	-0.63* (0.39)
Change in Log of Market Value	3.5*** (0.5)	4.3*** (0.5)	5.2*** (0.7)	6.8*** (0.8)	6.8*** (0.9)
Change in Log of Assets	-1.1 (0.7)	-1.9** (0.8)	-2.3*** (0.9)	-3.4*** (1.0)	-2.9*** (1.1)
Change in Asset Growth	-0.33 (0.69)	-0.04 (0.75)	0.27 (0.85)	-0.43 (1.02)	-0.50 (1.09)
Adjusted R ²	0.024	0.039	0.055	0.068	0.070
Number of Observations	14,338	12,829	11,693	10,825	9,748