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CEO Dividend Protection

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This paper studies CEO dividend protection, an important element in the executive compensation package that protect CEOs' compensation from stock price drops due to dividend payments. First, I show that there is large variation among S&P 500 firms in whether they provide dividend protections to their CEOs or not. Second, CEO dividend protection is positively associated with firms' dividend payout. Third, a time series analysis suggests that dividend protection is implemented prior to a firm increasing dividends. Finally, there is no evidence suggesting that CEO dividend protection affects other corporate policies, such as cash holdings and investment.

JEL Classifications: G30, M52

Keywords: Payout policy, Executive compensation, CEO dividend protection

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