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# Chicago Tribune

## Fewer plans were made to buy back stock

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By Becky Yerak, Chicago Tribune reporter

### Stock buybacks of publicly traded firms drop 13 percent in '12, dollar value was down by 11%

Chicago-based Kovitz Investment Group prefers buybacks to dividends.

“Dividends are ephemeral, but buybacks are permanent,” said Jonathan Shapiro, co-chief investment officer. “Once a dividend is paid, it is gone, out of the company coffers and into the hands of its shareholders to invest as they see fit.”

Buybacks, on the other hand, result in a permanent change in the capital structure, he said.

Also, dividends are taxed at a rate of 20 percent for high-income earners, he said so an investor only gets the use of the after-tax portion of the cash paid out as dividends.

“Buybacks, on the other hand, have no tax ramifications, so investors who don’t sell their shares get the full impact,” said Shapiro, who stresses that share repurchases make no sense if the stock is overvalued, which could be a “value-destroying endeavor.”



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