

Optimal dividend policy in the presence of business cycles

Luz Rocio Sotomayor

Mathematical and Statistical Sciences, University of Alberta

rsotomayor@math.ualberta.ca

Abstract

We consider a dividend payment problem when the company presents different regimes that affect their earnings. The company has to select the optimal dividend policy that maximizes the total expected cumulative amount of dividends paid-out to shareholders. The problem is solved using singular stochastic control with regime switching techniques. We find explicitly the optimal dividend policy and compare it to the one obtained for the one-regime model.