



Distribution: Definition in Finance, Types, and Examples

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What Is Distribution?

The word "distribution" has several meanings in the financial world, most of them pertaining to the payment of assets from a fund, account, or individual security to an investor or beneficiary.

Retirement account distributions are among the most common and are required after the account holder reaches a certain age. A distribution also refers to a company's or a mutual fund's payment of stock, cash, and other payouts to its shareholders.

Distributions come from several different financial products; however, whatever the source, the distribution payment usually goes directly to the [beneficiary](#), either electronically or by check.

KEY TAKEAWAYS



a fund, account, or individual security to an investor.

- Mutual fund distributions consist of net capital gains made from the profitable sale of portfolio assets, along with dividend income and interest earned by those assets.
- With securities, like stocks or bonds, a distribution is a payment of interest, principal, or dividend by the issuer of the security to investors.
- Tax-advantaged retirement accounts carry required minimum distributions—mandatory withdrawals after the account holder reaches a certain age.
- A lump-sum distribution is a cash disbursement that is paid out all at once, as opposed to being paid out in steady installments.

How Distributions Work

In finance, a distribution can mean many things; however, the term is used most commonly to describe the following situations:

1. When a mutual fund distributes capital gains, dividends, or interest income to fund owners
2. When a publicly traded company distributes interest or returns capital to shareholders
3. When a retirement account owner takes distributions in the form of



Regardless of the situation, distributions can generally be regarded as "cash" that goes straight into your pocket.

Distributions From Mutual Funds

With [mutual funds](#), distributions represent the allocation of capital gains and dividend or interest income generated by the fund for the investors periodically during a calendar year.

One common type is the net capital gains distributions that come from profits on the sale of a mutual fund's holdings. For example, if a stock is bought for \$75 and later sold for \$150, the capital gains are \$75 minus the fund's operating expenses. The exact amount of the distribution is tallied after the subtraction of these operating expenses.

[Once dividends and distributions are disbursed](#), the fund's share price declines by the total of the per-share distribution to the fund's shareholders. The price falls because the distribution is withdrawn from the fund's assets, which decreases the [net asset value](#) (NAV).

Stock and Bond Distributions

With securities like stocks or bonds, a distribution is a payment of interest, principal, or dividend by the issuer of the security to the shareholders or bondholders.