



How You Could Earn a 16.7% Yield From Suncor Energy Inc.

Description

If you're frustrated by today's low interest rates and struggling to generate enough income in retirement, then this might be the most important message you'll ever read.

Today I want to show you a little-known strategy to safely earn 10%, 15%, even 20% yields on your money.

I'm not exaggerating. With this technique, it's possible to "juice" the income you generate from the world's safest dividend-paying companies. Thousands of ordinary folks are already using this method to double, triple, even quadruple the yields they earn from the stock market.

Before you buy another bond or GIC, read this first

I probably don't need to remind you about the plight of today's income investor. Interest rates are at record lows. You might be struggling to earn enough income from your portfolio yourself.

Today, bank deposits pay you next to nothing. One-year GICs are paying 1.3% or less. Heck, even 30-year government bonds are yielding just a measly 2.1%.

At these rates, you will earn less than \$1,100 per year on \$50,000 in savings (and that doesn't even factor in taxes). As savers, we need to do better.

That's why you might be interested to learn about a little-known strategy to boost your income. I learned about this method from professional traders while working on a Bay Street options desk. They used this trick to consistently pull out double-digit yields from the market.

The best part is, ordinary investors can use this technique as well. And you can get started today if you want to. It's called selling "covered calls."

Here's how it works. Selling a covered call involves buying shares of a stock and then selling "call options" on those same shares. Selling a "call option" gives another person the right to buy your stock at an agreed-upon price in the future. In exchange for giving this right, you receive a fee.

Why would anyone buy a call option? Well, there are many gamblers in the stock market and options are one of their preferred "games." Option buyers are betting on a particular stock hitting a particular price in a particular amount of time.

That's a risky bet that's unlikely to pay off — and I'm happy to take the other side and pocket their cash.

It might take a little while to get used to the idea of selling covered calls. The process is a little different from just buying shares. But let me walk you through a hypothetical trade so you can see how lucrative this strategy can be.

Right now, for example, you can buy **Suncor Energy Inc** ([TSX:SU](#))([NYSE:SU](#)) for US\$29 per share. Let's say you buy 100 shares for a total investment of US\$2,900.

After buying this stock, you can sell someone the right to buy your shares from you for US\$34 per share in about two months. You collect US\$60 for selling that right. This US\$60 payment represents an instant 2.1% yield on your investment.

If Suncor does not rise to US\$34 per share in two months, you simply keep that instant 2.1% yield, your 100 shares, and any dividends you collected along the way. You can then do pretty much the same trade all over again.

Repeat this trade six times per year, and you can make 13.3%. That's on top of Suncor's safe 3.4% regular dividend. On a US\$50,000 stake, that would generate more than US\$8,350 in income each year.

Remember, Suncor is a safe, blue-chip stock. Yet with our "covered call" strategy, we are able to earn double-digit yields on our investment. That's almost five times more than what regular shareholders are earning.

These are safe 15% to 20% yields available right now

However, there's no such thing as a free lunch (apologies for the economics cliché). The usual knock against covered calls is that you give away the potential upside stocks offer. If Suncor shares increase above US\$34, we won't get to participate in the rally.

That's a valid point. But these days, I know most folks are more concerned about earning safe, 15%+ yields. They're less interested in trying to "shoot-the-lights-out" with risky strategies.

Of course, there are more things you need to know to successfully sell covered calls. I've tried to keep this explanation as simple as possible. But by using this technique, we can safely double, triple, even quadruple our income from the stock market.

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