Dividend Investors: 1 Simple Trick to Boost Your Retirement Income

Description

What if you owned a money machine that automatically cranked out cash while you slept, watched TV, or read the paper?

Every month a steady stream of payments flows straight into your brokerage account. In some cases, you are collecting yields of 10%, 25%, and even 50% on your original investment.

And the machine reproduces itself. It breeds more little money machines—and they're all making money for you 24/7.

Boost your investment returns 90% with this one simple trick

Sounds fantastic—or illegal. While you might not believe me, this is exactly what it's like to compound your money with dividend-paying stocks.

Compounding is a simple strategy when you buy investments that pay dividends or interest, and you use those payments to buy more of the investment. In the following years, your dividend and interest earns income, too. In short, you get to buy new shares of stock without having to put up another dollar.

That's as close to a free lunch in life as you'll ever get. Sure, this isn't some get-rich-quick scheme you'll see on a late night infomercial. It's more like a get-rich-eventually strategy, and that's good enough for me.

But if you're not convinced, let me show you how it works with a simple example. Then I'll show you what you need to do to get started.

Let's say two friends, Bob and Rob, each buy 100 shares of the **Royal Bank of Canada** (TSX:RY)(NYSE:RY) for $75. Today the stock pays a 4% annual dividend. Let's assume that the share price grows 5% annually.

We'll start with Bob. He never reinvests his dividends. Instead, Bob just collects his payments and piles up the income.

Rob, in contrast, reinvests his dividends. Every time RBC sends him a cheque, Rob uses that income to buy more shares.

Here's how they do…

Year	Bob	Rob
0	$7,500	$7,500
10	$15,990	$17,756
20	$29,819	$42,033

30	$52,346	$99,508

As you can see from the table above, Rob’s returns take the cake. After 30 years, Rob’s portfolio is showing a 90% improvement over Bob’s returns.

The best part is that many brokers will automatically reinvest your dividends *for free*. This strategy is called a dividend reinvestment plan, or DRIP, and it’s a great way to harness the power of compounding.

Better yet, it’s easy to get started. All you have to do is call your broker and say, “I’d like to enroll my stock in your free DRIP.” It really is that simple.

To set up my DRIP with TD Direct Investing, I called 1-800-465-5463. I’ve listed a few more brokers below. If yours isn’t on the list, check around online for the contact information.

- RBC Direct Investing: 1-800-769-2560
- CIBC Investor’s Edge: 1-800-567-3343
- Questrade: 1-888-783-7866

The Zen guide to dividend investing

This really works. Thousands of ordinary Canadians are using this strategy to build wealth in the stock market. Readers explain to me all the time how well it works for them.

Pick up the phone and enroll your stocks in a DRIP today.

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1. Dividend Stocks
2. Investing

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1. Editor's Choice

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1. NYSE:RY (Royal Bank of Canada)
2. TSX:RY (Royal Bank of Canada)

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