# Dividend Investors: How to Get the Income You Want

## Description

I'm assuming you're here to build a portfolio of dividend stocks. Before you start investing, you should have a diversified list of quality dividend payers you want to own. Let's say **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) is on your list. What price is it "low enough" to buy it?

**The dividend is your guide**

A simple way to figure out the price range to buy at is to decide how much income (the yield) you want to generate from an investment. Of course, the income should be reasonable for the amount you are investing.

The bank pays a quarterly dividend of $0.72 per share, totaling an annual payout of $2.88 per share. If you want to generate an annual income of $288, buying 100 shares would suffice, but at what price should you buy?



The table below displays Bank of Nova Scotia's yield based on changing prices. Of course, the lower the price, the higher the yield.

| Price | Yield | Invested Capital on 100 Shares |
|---|---|---|
| $52 | 5.5% | $5,200 |
| $54 | 5.3% | $5,400 |
| $56 | 5.1% | $5,600 |
| $58 | 5.0% | $5,800 |
| $60 | 4.8% | $6,000 |
| $62 | 4.6% | $6,200 |
| $64 | 4.5% | $6,400 |

The fact that Bank of Nova Scotia yielded 5.4% earlier in the year was an anomaly, seeing as the bank typically yielded 4-4.5% in the last five years. We can't jump into a time machine to get the +5% yield, but we can prepare for the future. The recent yield range would suggest that the current yield of 4.5% is not a bad entry point for the bank. So, long-term investors can consider buying some shares.

However, if you want to spend your precious investment dollars more carefully, you might want to wait for the higher yield of 4.8% or even 5% before buying some shares. From the table above, for each 0.2% yield higher you are able to buy shares, you save $200 on your initial investment.

**Caution**

Investors should only consider this strategy for quality large-cap dividend stocks, such as the Big Five banks, including **Royal Bank of Canada**, **Toronto-Dominion Bank**, **Bank of Montreal**, and **Canadian Imperial Bank of Commerce**, the big utilities, including **Fortis Inc.**, **Canadian Utilities Limited**

, and **Emera Inc.**, and the big telecoms, including **BCE Inc.**, **Rogers Communications Inc.**, and **Telus Corporation**.

**Conclusion**

Investors should not rush into buying even the highest-quality companies, because the lower the price you pay, the higher the yield and the more income you get. By buying at a lower cost, you also lower the risk of investing.

Setting your desired yield range (that translates to your desired price range) ahead of time can reduce the chance of buying emotionally and paying more than you want for your desired dividend stocks.

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1. Bank Stocks
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**TICKERS GLOBAL**

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)



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**Date**
2025/08/24
**Date Created**
2016/03/22
**Author**
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