

## How to Achieve Your Financial Goals: Focus on Income

### Description

It doesn't matter if you're an experienced investor or new at the scene. These simple, down-to-earth examples can show you how to achieve your income goals.

Let's say that you're earning a nice income from your job, but you want your money to work for you to generate extra income on the side. Maybe you even have the ultimate goal of getting your investment income to cover your monthly expenses or even your salary!

### Start small

Let's start small. To generate \$120 of dividend income a year (or \$10 a month) at a reasonable 4% yield, you need to invest \$3,000. To save up that amount, you've got to save \$250 per month. For an individual earning the median salary of about \$35,830, that's nearly an 8.4% savings rate.

Depending on your salary and savings habit, the \$250 may be too little or too much. You can customize the amount to suit yourself. If you save less, say, \$125 per month, it'll take you two years to save \$3,000. If you save more, say, \$500 per month, it'll take you six months to save \$3,000.

### What to invest for a 4% yield?

Once you've got a decent amount saved up, you can invest for a 4% yield. If your bank charges \$10 per trade, you want to invest at least \$1,000 each time for a maximum commission cost of 1% of your investment.

You can find relatively safe dividends from our banks, telecoms, and utilities. In fact, some currently offer yields north of 4%. From the Big Five banks, only **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) offers a 4.4% yield.

From the Big Three telecoms, **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)) and **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)) offer yields of 4.7% and 4.3%, respectively. Although BCE offers a bigger yield, Telus is expected to deliver higher growth. So, you can choose the one you want to invest in.

From the utilities, there's **Emera Inc.** ([TSX:EMA](#)) which offers a 4.4% yield.

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So, if you have \$3,000 saved up for investing, you can either buy \$3,000 of Emera, which I find to be the best valued for its growth potential, or buy \$1,000 in each of Canadian Imperial Bank of Commerce, one of the telecoms, and Emera to be more diversified. If you choose to do the latter, you'll be paying three times the commission fees. You'll need to decide if you want to be more diversified or pay more fees.

## The magic of dividends

The magical thing is that once you start investing in stable dividend stocks, such as the ones mentioned, you can pool the dividends you receive with your savings.

So, if you invest \$3,000 in Emera today and you save \$3,000 again next year, you will have \$3,132 to invest because of Emera's dividends. Since Emera tends to increase its dividend and has the capacity to do so, you can expect a higher dividend from it next year.

## Investor takeaway

Initially, the dividend may seem small compared to how much you're saving. However, if you consistently save and invest in a portfolio of stable dividend-growth companies, you'll start to see the difference the dividends are making in a few years. Don't be afraid to start small with \$1,000.

If you start off with \$3,000, invest for a conservative 8% rate of return (say, 4% from dividends and 4% from capital gains), and continue to invest \$3,000 every year from your savings, your portfolio will grow to nearly \$405,400 in 30 years and generate an income of \$16,215 per year if the portfolio yields 4%.

Any time you have extra money, perhaps from a raise or bonus, you can choose to invest it to boost your dividend income stream.

## CATEGORY

1. Dividend Stocks
2. Investing

## POST TAG

1. Editor's Choice

## TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. NYSE:TU (TELUS)
4. TSX:BCE (BCE Inc.)
5. TSX:CM (Canadian Imperial Bank of Commerce)
6. TSX:EMA (Emera Incorporated)
7. TSX:T (TELUS)

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### Date

2025/07/29

### Date Created

2017/04/11

### Author

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