



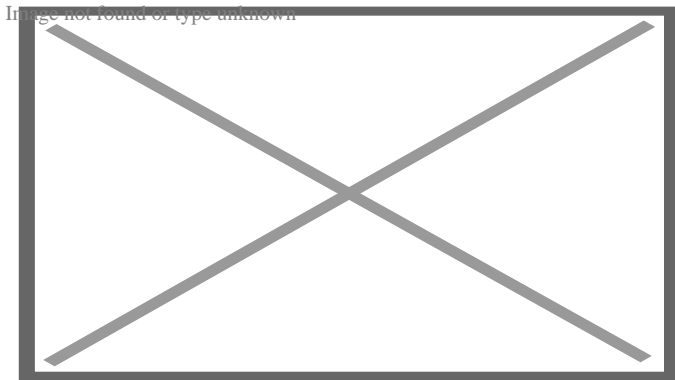
How to Generate the Income You Want from Dividends

Description

You can't rely on price appreciation to generate the income you need, because from time to time the market experiences crashes and individual stocks experience dips. However, dividend income can be much more predictable and reliable if you choose the stocks to buy carefully.

First, determine the amount you want to generate from dividends. Then work towards building your dividend income up to that amount.

Statistics Canada's recent report indicated that the average wage for Canadian employees was just over \$51,000 a year.



Let's say that your end goal is to generate \$51,000 of dividend income. That works out to \$4,250 per month. By the time you generate that much income from dividends, you can choose to retire.

That may sound like a lot of dividends to generate for someone starting out. Start small to build it up. Start by aiming to earn, say, \$25 a month from dividends. That's \$300 a year.

The important thing is to choose a dividend-paying company, which generates stable earnings or cash flows most of the time and grows its earnings or cash flows over the long run. It'll be even better if the company has [a culture of growing its dividend](#).

A dividend that grows faster than inflation can help you more than maintain your purchasing power without worrying what the share price might do.

As you add safe dividend-growth stocks to your portfolio, over time you'll generate more and more income until you reach your desired income generation level.

Enbridge Inc. ([TSX:ENB](#))([NYSE:ENB](#)) stock has underperformed in the past year and looks reasonably valued. Enbridge is the leading North American energy infrastructure company, with a track record of increasing its dividend for more than two decades.

About 96% of Enbridge's cash flow is underpinned by long-term contracts; coupled with a sustainable payout ratio of less than 65%, its dividend should be safe.

This year, Enbridge plans to invest \$7 billion across mostly U.S. transmission, Canadian midstream, and gas distribution projects. These should increase the company's cash flow as they go into service.

At ~\$50.60 per share, Enbridge offers a big yield of ~5.3%. To generate \$300 of annual income from Enbridge, investors need to invest \$5,650 worth, or roughly 112 shares today. That said, there should be no pressure for you to invest that amount. Start with an investment amount you're comfortable with.

Tip

Enbridge shareholders can take advantage of its dividend reinvestment program to get a 2% discount on the purchased shares from reinvested dividends.

Investor takeaway

Add [safe, dividend-growth stocks](#), such as Enbridge, to your portfolio at reasonable valuations. Over time, you'll generate a diversified, growing revenue stream of passive income that can reach your desired income level.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

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