How to Make $15,000 a Year in Dividends Without Needing a Fortune

Description

If you’ve got some savings and need recurring income, a good dividend stock can help provide a lot of cash flow for your day-to-day needs. Rather than putting your money into a low-interest savings account with your bank, a dividend stock might offer a much more appealing option for investors.

While you certainly need money in order to make money, you don’t need a million dollars to be able to generate good cash flow or even half a million dollars for that matter. It all depends on your time frame and how aggressive you want to be with your investments. Below, I’ll look at two different ways you can make $15,000 a year in dividends by deploying two very different strategies.

The dividend growth option

If you’re willing to wait for your dividend to grow over time, then a growing dividend is the safest option for you. A stock like **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) pays a very good yield of 3.9% per year. However, if you wanted to make $15,000 a year, you would need an investment of nearly $400,000 to do so today. If you had that much to invest in already, you could probably just invest in higher yielding stocks and earn a better dividend.

The dividend growth strategy is a good one for younger investors or those with less in savings. Over the past five years, TD’s dividend payments have risen by an average of 9.5% per year. While it’s no guarantee that that rate of growth will continue, with blue-chip dividend stocks like TD, there’s a strong possibility that payouts will continue to rise.

And so rather than investing $400,000 right off the bat, dividend investors can opt for a lower amount depending on how long they’re willing to wait. A $250,000 investment, for instance, would start making $15,000 in dividends by year six. An investment of $200,000, however, wouldn’t start producing a dividend income that high until year nine.

The lower your savings, the longer you'll have to be willing to wait for the payout to reach your targeted level. And if you're not willing to sacrifice the time, then a more aggressive strategy might be more appropriate.

High yielding stocks

Anything generally over 5% is considered to be a bit high when it comes to dividend stocks. However, there are some yields of around 6% or 7% that are still manageable, especially if the stock has good prospects for the future and the yield is up because of a struggling share price.

Boston Pizza Royalties Income Fund (TSX:BPF.UN) is a good option for investors looking for a high yield. At 7.8% annually, it's definitely a more aggressive option that could be in danger of being cut should things go south for the company.

However, the fund has been able to maintain this dividend for years now, and the yield is a lot higher than it normally would be, as the stock has dropped 13% in the past year. With a yield as high as 7.8%, investors of Boston Pizza Royalties would have to invest about $192,000 to generate dividends of $15,000 per year. While it's still a fair bit of money, it's less than would be required with TD and it would be achievable immediately rather than years from now.

The fund is nowhere near as safe as that of TD, but for investors seeking a high yield, it could be a good option as it's a good, well-known brand with lot of value and good prospects for the future.

CATEGORY

1. Dividend Stocks
2. Investing

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