



## Collect \$700/Month Passive Income With This Little-Known Stock

### Description

Dividend yields and total returns matter to investors when selecting investment options. For investors who have set precise targets of collecting \$700 per month dividend income, the dividend yield should be way above the market average.

**Chemical Logistics Income Fund** ([TSX:CHE.UN](#)) is a little-known stock to ordinary or casual investors — a [dividend rock star](#) to dividend investors. The five-year average dividend yield of the only remaining income fund is 7.41%, but the stock has paid as high as 12.8% dividends.

### Why dividend income is important

When you invest in dividend-paying stocks, a greater portion of the returns from your portfolio basket are delivered by the dividend stocks. Your balance on your TFSA, for example, can increase faster when you reinvest the dividends earned.

Over time or within your investment horizon there will be compounding returns; such is the power of dividends. You don't have to use your original capital or add more. Use the dividends for no other reason but to purchase more shares.

### Know your investment's profile

You're not supposed to invest in a company just because of the high-dividend yield. You have to know the company's profile and what the business does to earn profits that would enable them to distribute dividends.

It's important to establish the legitimacy of the business, including the years of corporate existence. That is the first measure to get a glance of the prospective investment. In the case of Chemtrade, the company operates a diversified business that provides industrial chemicals and services in Canada, the U.S., and South America.

The next step is to find the sources of revenue. Chemtrade has three major business segments comprised of the Sulphur Products & Performance Chemicals (SPPC), Water Solutions & Specialty Chemicals (WSSC), and Electro chemicals. With an overview of the company, you review the financial health of the company.

In 2018 until the recent quarter, Chemtrade has been in the red. The current stock price of \$10.23 is just close to the price at the start of the year. When income is on the decline, a company might decide to implement a dividend cut. Chemtrade has been known to be a market-leading dividend payer.

Review the company's cash flow to assess whether it can support the dividend payment. Your objective is to find out whether you can collect a permanent or [predictable dividend income](#).

## Collecting Dividend income

When your goal is to collect dividend income, it's best to open a TFSA to build a tax-free source of income. Set a longer investment time frame or holding period. Time is your partner to maximize the compounding effect. But deferring withdrawals or resisting the temptation to withdraw money is your biggest enemy.

In case you haven't opened a TFSA yet but allowed to fill the unused contribution room of \$63,500, then do so. For the next 11 years, continue contributing \$6,000 annually.

Hypothetically, collecting \$700 per month dividend income can be realized in only 12 years if Chemtrade pays 12.7% dividend. The period can be shorter if the compounding effect of dividend reinvestment is factored in.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:CHE.UN (Chemtrade Logistics Income Fund)

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