How to Make $10,000 in Dividends Every Year

Description

Having a steady stream of dividend income can be a great way for investors to be able to help generate some much-needed cash for a variety of different reasons.

The more you earn, the less income you'll need from your day job. Below, I'll show you a couple of different ways you can make as much as $10,000 a year in dividend income.

Looking for high-yielding stocks

One way you can maximize your dividend income is to look for stocks that may be paying a higher-than-normal amount. While I wouldn't suggest relying on a yield of 10% or more, you can still find a payout of more than 5% that might still be relatively safe, at least in the near term.

A good example is **True North Commercial REIT** (TSX:TNT.UN), which currently pays its shareholders a dividend of around 8.9%. While that's high, the company has been able to pay the same dividend for year; meanwhile, its financials have only gotten stronger.

No dividend is ever guaranteed to continue, however, and investors should always keep close tabs on income-producing stocks to ensure conditions haven't put payouts at risk.

However, if True North continues with the payouts at its current rate, that means that for an investor to be able to make $10,000 from this dividend, they would need to invest around $113,000.

Given the high dividend that could be earned from True North, that's not as significant an investment as you would need if you were to invest in a lower-yielding stock.

Although True North stock hasn't generated much in the way of capital appreciation over the years, investors could more than make up for that if the company's payouts simply remain consistent.

A safer, lower-yielding option

For investors who might not be comfortable investing in stocks that pay a high yield, there are a lot more conservative options out there. A bank stock like **Royal Bank of Canada** (TSX:RY)(NYSE:RY) is a great example of a low-risk dividend stock that could also generate a lot in the way of cash flow.

However, the trade-off here is that while the dividend is certainly much safer than that of True North, RBC also pays a much lower amount.

At just 3.9%, investors will need to be willing to invest a whole lot more to reach $10,000 in annual dividends. It would take more than $257,000 for investors to earn the same dividend income that could be earned with True North with a much smaller investment.

The big advantage with Royal Bank is that it's a stock you won't have to check on and that you can simply buy and forget. Its dividend payments have increased over the years, and while you'll have little hope of bridging such a significant gap in dividend yield between the two stocks, it will at least give you the opportunity to earn a higher percent on your original investment.

Bottom line

There is no shortage of ways that investors can earn dividend income. Ultimately, it comes down to your own personal strategy and how much risk you're willing to take on. For risk-averse investors, RBC stock is the way to go.

But if you're okay with keeping tabs on a stock and taking on some risk, then the True North stock could be a more appealing option today.

CATEGORY

1. Bank Stocks
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3. Investing

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:RY (Royal Bank of Canada)
3. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)

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