



Passive-Income Investors: How to Make \$5,000 in Dividends Every Year

Description

Whether you're looking to boost your savings, help pay for a big trip, or fund a large purchase, there's always a reason you can benefit from some extra cash. And if you've got some savings already, using that to invest in a dividend stock can help provide you with some recurring cash flow.

How much do you need to earn \$5,000 in dividends?

The most important question is whether you have enough saved up that you can realistically expect to be able to generate this much in dividend income. Part of it is going to depend on your level of risk tolerance. For instance, if you're investing in high-yielding stocks that pay 8% or more, there's likely going to be some risk there that the payouts may get cut over time.

The higher the yield, the less stable it likely is. However, it also depends on the company's financial strength, as even a dividend stock that's paying 2% or 3% could be at risk as well. Context is important, as there's no blanket assumption that is going to guarantee that one dividend is safer than another.

Generally, I'd use 5% as a rule of thumb in saying that anything over that threshold deserves a closer look. That doesn't mean you should ignore a company's financials if it is yielding 5% or less, but that you should look into a stock's financial position even more if the yield is over this threshold.

And so, if 5% is the benchmark, then I'd say \$100,000 is roughly the amount you'd want to have saved up if you want to be able to earn \$5,000 in dividends. With a yield of 8%, you'd need around \$62,500 to produce the same amount in dividend income. The higher up you go in yield, the less you'll need to invest, but the more risk you could be taking on as well.

What's a good stock to invest in?

If you have the necessary savings, then it just comes down to selecting what to invest in. **Dream Global REIT** (TSX:DRG.UN) is one stock that stands out as a good option.

Not only does it offer investors some [great diversification](#) with properties outside North America, but it pays an [attractive yield](#) of 5.6% as well. It's slightly above the 5% threshold and means that you'd need a little less than \$100k, with about \$89k being sufficient to do the job.

What makes the stock particularly attractive is that not only does it pay a good yield, but it also makes payments on a monthly basis. It can be a great option for investors that are looking for a much more frequent stream of cash flow than quarterly dividend payments, which is how often many dividend stocks pay.

Although Dream Global hasn't recently increased its payouts, you also wouldn't expect it to given the high dividend rate, as any increases could risk making the dividend unsustainable.

Overall, Dream Global's stock has risen close to 50% over the past five years, and despite the strong growth, the stock still trades below its book value and at a price-to-earnings multiple of around 3.5.

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