



Never Pay for Lunch Again With This Succulent Dividend Stock

Description

Many investors don't really understand the power of [passive income](#) until they can compare it to something tangible.

Everyone is inspired by making a few hundred extra dollars each month for doing nothing. But when you explain that that same amount of money is enough to cover their power, gas, and water bills, suddenly the motivation level goes way up. Those bills are painful, and avoiding them forever is something everyone aspires to.

I know I'm motivated by delicious food, so I'm trying extra hard to ensure my favourite restaurant stock pays me enough in dividends each month to pay for a free lunch every day.

Does that inspire you? It should. Here's how you can make sure you never pay for lunch again.

The best burgers

If you do an informal survey of all your friends, I guarantee at least some of them will say **A&W Revenue Royalties Income Fund** ([TSX:AW.UN](#)) makes their favourite hamburgers. I'll bet many will also enjoy A&W's onion rings, its root beer floats, or some of the other offerings on the menu.

From an investing perspective, I'm also a big fan of A&W. The company consistently delivers excellent results because of a continued focus on using the best ingredients, a commitment to delivering high-quality food, and some of the best promotions in the entire fast food industry.

For instance, A&W was the first company to jump on the **Beyond Meat** alternative burger bandwagon, introducing their own version of the vegetarian burger back in 2018. It was an instant hit, with many restaurants running out of patties. The Beyond Meat burger is now a fixture on the company's menu.

Because of these excellent managerial qualities, A&W has been posting consistently stellar results for years now. Its second-quarter numbers continued that trend with the all-important same-store sales metric up 10.3%.

Total royalty income rose 15.3%. The difference between the two is that A&W opened some 40 new restaurants over the last year, further cementing its status as Canada's second-largest burger joint.

A&W is a royalty trust, meaning that investors directly get 3% of each restaurant's sales. As the royalty trust is separate from the operating arm of the company, it has virtually zero expenses, which ensures that A&W Revenue Royalties Income Fund can afford to a payout ratio of 100% of earnings and doesn't have to reinvest in the business.

This translates into [succulent dividends](#), payouts that keep creeping up as the company continues to post stellar results. Since the beginning of 2018, the fund has increased its dividend six times.

The current distribution is \$0.159 per share every month, which works out to \$1.91 per share on an annualized basis. That's good enough for a 4.8% yield — an excellent payout in today's low interest world.

Never pay for lunch again

Given that there are 365 days in a year and the average lunch at A&W costs \$11 (hey, you gotta get the onion rings!), you'd need \$4,015 annually to indulge in your lunch habit. That works out to \$335 per month.

To get \$335 each and every month from A&W stock, you'd have to buy 2,107 A&W shares. As I type this, one share will set you back \$39.80. You're looking at a total investment of \$83,858 to never pay for a lunch yourself again.

Imagine how nice it'll be to collect more than \$10 per day in dividends just from one company. It's like hanging out with a best friend who always buys you lunch.

Some folks can't afford \$83,000, and that's fine. Just 100 A&W shares generates \$15.90 per month in dividends, which is enough for one free lunch a month. It's a great start.

The bottom line

A&W's management is doing a lot of things right. The company is already a good investment choice because of its focus on high-quality ingredients, a nice restaurant atmosphere, and great promotions.

Getting free lunch out of the deal is the icing on the cake — or, maybe in this case, the free lunch is the fizz on the root beer — in a frosted mug, of course.

CATEGORY

1. Dividend Stocks
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Author

nelsonpsmith

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