



Want to Live Off Dividends During Your Retirement? Invest in Royal Bank (TSX:RY) Stock

Description

Planning for retirement can be a little unnerving, because it's difficult to know how much money you'll actually need. The longer you end up living, the more uncertainty there will be about whether your savings will be sufficient to maintain the quality of life you hope to maintain. Even if you are able to grow your savings to [\\$1,000,000](#), there's no guarantee that's going to be enough.

What can investors do?

The one way around this problem is to invest in dividend stocks. A stock like **Royal Bank of Canada (TSX:RY)(NYSE:RY)** that has a strong track record when it comes to not only paying dividends but increasing them as well can be crucial to your overall strategy. By holding RBC shares, it will give investors a recurring stream of income as long as they hold onto the shares. While there's no guarantee that dividend payments will continue, RBC is a safe bet to continue to do so.

And the beauty of dividend stocks is that if the company continues paying dividends, that means you'll get a payout as long as you own the shares. If you live longer than expected, that won't matter, as you'll still end up with a dividend. And if that dividend is held within a TFSA, it's tax-free, and by benefiting from a growing payout, you're also likely to be making a whole lot more than you are today.

RBC was paying quarterly dividend payments of \$0.75 five years ago. Today, it's paying \$1.05 every quarter, which is an increase of 40%, for a compounded annual growth rate of around 7% per year. That's a pretty strong rate of increase. Here's how much you'd be making if you invested \$63,500, the cumulative limit for a TFSA if you've never contributed, into the stock and held it for more than 20 years:

Year	Annual Dividend
1	\$2,516.04
2	\$2,691.18

3	\$2,878.51
4	\$3,078.89
5	\$3,293.21
6	\$3,522.45
7	\$3,767.65
8	\$4,029.92
9	\$4,310.44
10	\$4,610.50
11	\$4,931.43
12	\$5,274.71
13	\$5,641.89
14	\$6,034.62
15	\$6,454.69
16	\$6,904.01
17	\$7,384.60
18	\$7,898.64
19	\$8,448.47
20	\$9,036.57
21	\$9,665.61
22	\$10,338.44

By year 22, you'd be earning more than \$10K a year in dividend income, potentially tax-free if the TFSA remains intact during all those years. That added income can help give your cash flow during retirement a big boost. And if you invest more funds, then that dividend income could get even bigger. Not only will you be earning a lot more in dividends, but you're likely to also benefit from a rising share price over those years as well.

Bottom line

It's a relatively low-risk move to invest in RBC, and while it may not be the most exciting investment to make today, you could be thanking yourself for it years from now. Bank stocks are one of the best investments you can make because of how stable and predictable they are, especially compared to other stocks. For investors, it's an easy way to invest for the long term and to ensure that your portfolio will grow over the years.

There can be a lot of uncertainty on the markets, but one thing's for sure, and that's as long as the economy continues to grow and consumers and businesses need money, banks will continue to thrive, making RBC a very attractive investment for the foreseeable future. And from the example above, the potential dividend income could be extremely valuable to retirees looking for some [stability](#).

CATEGORY

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2. Investing

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