A TFSA Stock Market Buy: The Easy Way to Earn Extra Income

Description

Too many Canadian savers are missing out on earning passive income from their Tax-Free Savings Accounts (TFSAs). **Royal Bank of Canada** found that Canadians maintain too much of their long-term savings in cash instead of the stock market. Even short-term savers are missing out on substantial tax-free income by storing their savings in cash instead of 30- to 60-day risk-free Guaranteed Investment Certificates (GICs).

Many savers in Canada get caught up by misconceptions that they need a larger savings balance, a higher income, or more knowledge to diversify their accounts into high-yield stocks. It isn't challenging to learn how to make good long-term investments. With more confidence, every Canadian citizen can become a savvy financial manager.

The best stock market advice that you can follow is to adopt a long-term mindset on your investments. Instead of getting caught up in the daily news cycle and overtrading, find a few reputable companies that you know you can trust and buy shares in those stocks. There are many trustworthy companies with a good track record of taking care of shareholders. Those are the companies you want to invest in, and they aren't difficult to research.

Buy stocks with growing dividends

Thomson Reuters (TSX:TRI)(NYSE:TRI) is truly a company that takes care of its shareholders. Thomson Reuters returns earnings to shareholders during the good times. When the company sells a profitable asset at a premium, the executive team at Thomson Reuters knows how to reward shareholders for their loyalty.

After Thomson Reuters sold a 55% stake in its financial analytics asset, Refinitive, to **Blackstone Group** in October 2018, Thomson Reuters very generously issued a special cash distribution of $5.90 per share to investors. New shareholders can expect similar magnanimity in the future when Thomson Reuters earns a profit from an investment.

That day may be sooner rather than later. At the end of November, shareholders in the London Stock

Exchange approved the complete acquisition of Refinitive for £22 billion. As a 45% stakeholder in the financial analytics segment, Thomson Reuters shareholders are entitled to £9.9 billion from the transaction, or CAD$17.25 billion. Needless to say, based on past management decisions, Thomson Reuters shareholders are likely to gain substantially from the agreement.

Buying stock in Thomson Reuters is an excellent choice, because the company also steadily grows its dividends every year. The company declared its last dividend payable on December 16, 2019, at US$0.36 per share, up 2.9% from December 2018. Although there are exceptions to the rule, growing dividends are usually a sign that the stock price should appreciate as investors see higher returns from the asset.

Know the historical stock market performance

The share price history of Thomson Reuters stock is exceptional. The stock traded for $19 per share in 1995. Today, you can buy the stock for around $94.50. In the past year, the value of the stock has appreciated by nearly 40%.

A set of company policies following the last year's Refinitive asset sale to Blackstone is mostly responsible for this outstanding price performance. The corporation's leadership and board of directors put in place these policies to give back US$10 billion to shareholders.

These are substantial returns for a company best known for its online news content. What many Canadian savers don't realize is that the corporation also provides legal and tax consulting services as well as a range of data analytics tools. The growing popularity of data science and machine learning will only help Thomson Reuters return above-market-average interest to shareholders.

It isn't enough to know only the dividend history of the stock. Many stocks can be dependable dividend payers with too much downward momentum in its market value. Get a full view of the share price history before you buy a stock. If you do this with Thomson Reuters, you will see that it is an excellent asset to own.

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debraray