Stop Living Paycheck to Paycheck in 2020: Invest Instead!

Description

The idiomatic expression "live paycheck to paycheck" describes an individual who spends all of the income he or she earns by or before the next paycheque comes. Unfortunately, there is a greater financial risk if you're living from paycheck to paycheck.

Amassing savings is necessary. It would be best if you had a financial cushion in case of emergency or sudden unemployment. Also, if you are saving money, you're increasing your saving rate.

Thrive financially by investing

If budgeting is difficult, try the 50/30/20 rule, so you can set aside money every month. Now if you want to increase your income, stock investing can be an option. The choice of investments, however, will depend on your risk tolerance.

High yield, higher risk

Ensign Energy (TSX:ESI) is among the highest-paying dividend stocks. The price per share is $2.38, but the yield is an outrageous 10%. This $381.24 million company provides oilfield services to customers in Canada, the U.S., and other countries.

The company is known in the oil and gas industry as the drilling expert. It has an extensive fleet of technologically advanced, purpose-built rigs and a comprehensive range of drilling services. Ensign can also perform horizontal and directional drilling for the more complex deep-drilling requirements of clients.

Ensign's third core competence is well servicing. The service offerings are necessary to ensure there's less downtime, and oil wells are performing and producing. While you can say the company is world class, the business is tough when the energy sector goes into a slump. Services are often left behind.

As of this writing, Ensign is close to its 52-week low of $2.25 and is down 16.5% year to date. Analysts, however, are forecasting a potential upside of 152% or a climb to $6 in the next 12 months.

Low yield, lower risk

For those with a low-risk tolerance, a consumer defensive stock like **North West Company** (TSX:NWC) offers a mix of safety and income. However, there's a huge disparity in price and dividends compared with Ensign. You'll have to shell out more to purchase the stock.

As of this writing, it costs $27.69 per share and yields 4.74%. So far this year, NWC has a gain of 1.31%. Over the last three years, this $1.33 billion retailer has never been in the red. Revenue and net income have been steady.

North West operates in the rural communities of western and northern Canada, Alaska, and the Caribbean. Because of the niche play in underserved locations, the company is the dominant operator in each of the mentioned regions.

At present, the company is vertically integrating. The goal is to bring down costs and improve margins. In the next five years, management expects an annual growth rate of 13.5%. North West should be adding new stores in the near term to expand its network.

Risk and reward

There are trade-offs in investing, and companies have their own risk profiles. Ensign is cheaper and pays high dividends, but the risk is a bit higher. North West is a bit pricey and has lower risk, but the dividends are safer. But before you even think about the risk and reward, you should start saving first.

CATEGORY

1. Dividend Stocks
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1. TSX:ESI (Ensign Energy Services Inc.)
2. TSX:NWC (The North West Company Inc.)

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