How to Double Your Income

Description

You may be working full time, part time, or forced to take a break from working due to COVID-19. If you lost your job due to COVID-19, you can get $2,000 of monthly income from the CERB.

In any case, the bigger your current income, the harder it is to double it.

If you're working, it'd mean doubling your work hours to double your income. As you can visualize, it gets impractical very quickly. Imagine someone working full time already. To double their income, they'd need to take on another full-time job.

There's hope, though. There are cases in which people have replaced their jobs' income *entirely* with their investment income. That would be essentially doubling your income if you're working full time and earning the same amount of investment income.

Unfortunately, with interest rates at historic lows, you can't double your income by putting money in low-risk GICs.

To replace your job's income from investments, it'll take years of disciplined saving and investing in safe and growing dividends.

Initially, it'd be more encouraging to build a passive income from investments. Then, focus on doubling the passive income instead of doubling your entire income.

After all, the passive income would be a smaller number to work with. Doubling your passive income over and over again will be stepping stones towards doubling your entire income as a longer-term goal.

How to double your passive income

For secure dividend income, start your research at the Canadian Dividend Aristocrat list, which consists of dividend stocks that typically have raised their dividends every year for five years. Investors should choose carefully from that list, because time and time again, stocks have been added and removed from the list. Aim to earn passive income from a diversified portfolio of stocks.

Fortis is a regulated utility with little earnings variability. Its dividend has above-average safety. It has one of the best dividend growth streaks and 46 consecutive years of dividend increases!

As a result, the stock also tends to trade at a premium valuation. Right now, it is fully valued but offers a reliable yield of 3.6%. It'd be a better buying opportunity with a yield of 4% or higher.

TC Energy is undervalued now. So, it's a good buy for a 5.5% yield. Its dividend is supported by a diversified portfolio of gas and liquids pipelines and power assets that continue to operate as essential services during this pandemic.

Top Canadian banks like **Toronto-Dominion Bank** also tend to increase their dividends. The stocks have sold off this year because of the gloomy economic outlook. Therefore, TD stock's yield has been pushed up to about 5.2%, which is 30% higher than what it'd normally offer in a stable economy. Because of the shaky economic environment, the bank might have to freeze its dividend for a couple of years.

Over the long term, all three stocks have the ability to increase their dividends by about 6% per year.

Assuming you make the same amount of investment in the three stocks today, you'd get an average yield of nearly 4.8%. Based on the rule of 72 on a 6% growth rate, it'd take about 12 years to double your passive income from these investments.

How to double your passive income faster

Naturally, if you are starting from a small base, you can quickly invest more money to double your passive income in a heartbeat.

For example, to get $150 of passive income from this three-stock portfolio, you'd need to invest about $3,125 in the stocks (roughly $1,042 in each). To double your passive income immediately, you could double your investment.

The point is putting new money into your investments makes a marked difference in growing your passive income substantially in the initial years of investing.

The Foolish takeaway

Solid dividend growth stocks like Fortis, TC Energy, and TD Bank can double your passive income over time. To double your passive income even faster, make a habit to save and invest money into safe dividend stocks every month.

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