Here’s How You Can Get a Safe Dividend Stock That Pays 10%

Description

There aren’t many investments out there with safe dividend yields of 10% or more. It’s rare to find a dividend stock that even pays more than 7% that’s safe. However, below, I’ll show you how it’s possible to secure a double-digit yield without even taking on much risk.

Investing in the right dividend stock is key

Instead of focusing on stock’s dividend yield, income investors need to be looking for dividend stocks that regularly increase their payouts. If a company increases its dividend on a regular basis then over time your dividend income will increase and you’ll earn more without having to invest additional funds into the stock.

Let’s take a look at telecom giant **Telus** (TSX:T)(NYSE:TU) as an example.

Currently, Telus pays its shareholders a quarterly dividend of $0.29125. If you were to buy the stock at a price of $23 per share, your annual dividend yield today would be a little over 5%. While that’s a good payout, it’s nowhere near 10%.

But if you look at where the dividend payments were five years ago, when it was paying $0.21 (adjusted for stock splits), they’ve grown by 39% since then. That averages out to an annual increase of 6.8% each year. Next, let’s take a look at how the dividend income could grow over the years.

The path to 10% on a $10,000 investment

Here’s how much dividend income you could be earning on a $10,000 investment if you were to buy shares of Telus and hang on to them:

Year	Quarterly Payment	Annual Dividend Payment	% of Original Investment
0	$0.29125	$506.52	5.07%

1	$0.31094	$540.76	5.41%
2	$0.33196	$577.32	5.77%
3	$0.35440	$616.34	6.16%
4	$0.37836	$658.01	6.58%
5	$0.40394	$702.49	7.02%
6	$0.43124	$749.98	7.50%
7	$0.46040	$800.68	8.01%
8	$0.49152	$854.81	8.55%
9	$0.52475	$912.60	9.13%
10	$0.56022	$974.29	9.74%
11	$0.59809	$1,040.16	10.40%

If Telus were to continue raising its dividend by its current rate of around 6.8%, then it would take 11 years for you to be earning more than 10% on your original investment. At that point, you'd be earning $1,040.16 in dividends. Getting to the 10% mark would require some patience, but this is also the safest way to hold shares of a company that's got a solid business model and that you can just buy and forget about.

However, there's no guarantee that Telus will continue raising its dividend payments at this rate as they could change depending on how well the company's performing.

Slow and steady is the safest way to grow your portfolio

Many companies have been cutting or suspending their dividend payments this year due to the COVID-19 pandemic, but Telus hasn't been one of them. That's why rather than focusing on stocks that just pay high yields, investors should be looking first for stable businesses that are likely to withstand adversity, like Telus.

Although it's still going to be a tough road ahead given the economy's still in a recession and the pandemic's far from over, Telus is still in a better position than many other dividend stocks are, including those that pay high and unsustainable dividend yields.

It's a solid investment to hang on to for many years that won't put your portfolio in harm's way. And with its stock trading at around 17 times earnings, it makes for a decent value buy that you won't have to pay a big premium for.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TU (TELUS)
2. TSX:T (TELUS)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/14
Date Created
2020/07/26
Author
djagielski