



## Warren Buffett: Earn \$2,000 a Month Sitting at Home

### Description

Learning from Buffett's investing strategy, you can earn a \$2,000 monthly salary while sitting at home. In this pandemic crisis, Buffett sold his airline stocks and [purchased the natural gas-distribution business](#) of **Dominion Energy** for \$10 billion.

### What was Warren Buffett thinking?

Everyone was expecting Buffett to buy in the March market crash. But his lack of activity made analysts believe that another market crash is coming. You can't time a market crash, as it happens due to an unexpected event. If you already expect it, a market crash is unlikely. Buffett is probably looking for the collapse of some big names. You can only guess why he hoarded cash instead of buying value stocks.

But one thing Buffett did buy

You can make a similar bet as Buffett with **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)), North America's largest pipeline operator.

### Replicating Buffett's magic

Enbridge earns 80% of its revenue by transmitting oil and natural gas for energy companies and utilities. Its largest pipeline infrastructure is its cash cow. Anyone who wants to transport oil or natural gas to some regions of North America have to use Enbridge's pipelines. They have other alternatives, such as roads and railways, but they are expensive and dangerous. Pipelines are convenient, cheap, and safer modes of transmission.

Enbridge's pipeline transmits about 25% of the crude oil produced in North America and 20% of the natural gas consumed in the United States. The company continues to expand its business by building new pipelines, which brings in more cash flow. It uses this cash flow to maintain the pipelines, build new ones, and give the remaining cash to shareholders as dividends.

In the last five years, Enbridge increased its dividend per share at a CAGR of 9.7%. If you invest in Enbridge, your dividend income will grow every year for your lifetime.

## The COVID-19 pandemic impacted Enbridge

In March, the pandemic created panic in the market. Several factories and offices were closed, and planes were grounded during the lockdown. A sudden halt in the oil demand significantly reduced oil supply. Oil prices even fell to \$0. Enbridge felt the impact of reduced oil demand, sending the stock down 33%.

If you look at the overall scenario, Enbridge's fundamentals were strong, and its business was good. But still, the stock fell, creating a perfect opportunity to buy a value stock. It's not like oil demand will remain subdued forever. When the economy re-opened, oil demand increased, although the volumes are still below the pre-pandemic level. Enbridge stock surged 24% from its March low, but it is still down 17% from its pre-pandemic level.

While the stock price fell, Enbridge continued to pay the same dividend per share, thereby increasing its dividend yield to 7.5%. The company has [ample liquidity](#) (\$14 billion) to withstand weak demand during the pandemic. It will return to growth as oil supply picks up.

## Invest in Enbridge the Buffett way

It is clear why Warren Buffett purchased the energy transmission business in the pandemic. While Enbridge may not double or triple your money in a few years, it will earn you an incremental income of around \$1,400 per month on an investment of \$200,000.

Taking a conservative estimate, this dividend income could grow at an average annual rate of 8%, which is four times Canada's average inflation rate of over 2%. This means your \$1,400 income will grow to \$2,000 by 2025 and \$3,000 by 2030 while you sit at home.

### CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing

### TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

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## Date

2025/09/08

## Date Created

2020/08/26

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