How Canadians Are Managing Their Money During the Pandemic

Description

The COVID-19 pandemic has thrown a lot of Canadians' money-management plans out of whack. The near-term income outlook has become highly uncertain for many people. Regular monthly savings from paycheques might have to be put off, as a result of a lack of income clarity.

How Canadians are managing their money during the pandemic

According to Statistics Canada, in the second quarter (Q2), household debt levels dropped meaningfully from 175% to 158% of disposable income. This is attributable to the following factors.

First, there were timely government income-support programs, related to the pandemic, that kept the income coming in for folks that lost jobs due to the virus. In fact, this transfer of wealth elevated household disposable income by more than 10%.

Second, Canadian household spending declined by almost 14%. And thereby, Canadians saved more. The household savings rate increased progressively from Q4 2019's 4% to nearly 8% in Q1 and 28% in Q2!

How to grow your income

If you need quick access to your cash, you'd want to put it in a savings account. The best high-interest rate accounts are offering interest rates of about 1.7%. Transferring your money to a higher interest rate account can make a meaningful difference if you have a big cash balance.

$10,000 of cash generates $170 of income a year.

If you don't need the cash for at least three years, you can consider investing it in high-yield, blue-chip stocks like **Bank of Nova Scotia**, **BCE**, and **Algonquin Power & Utilities**.

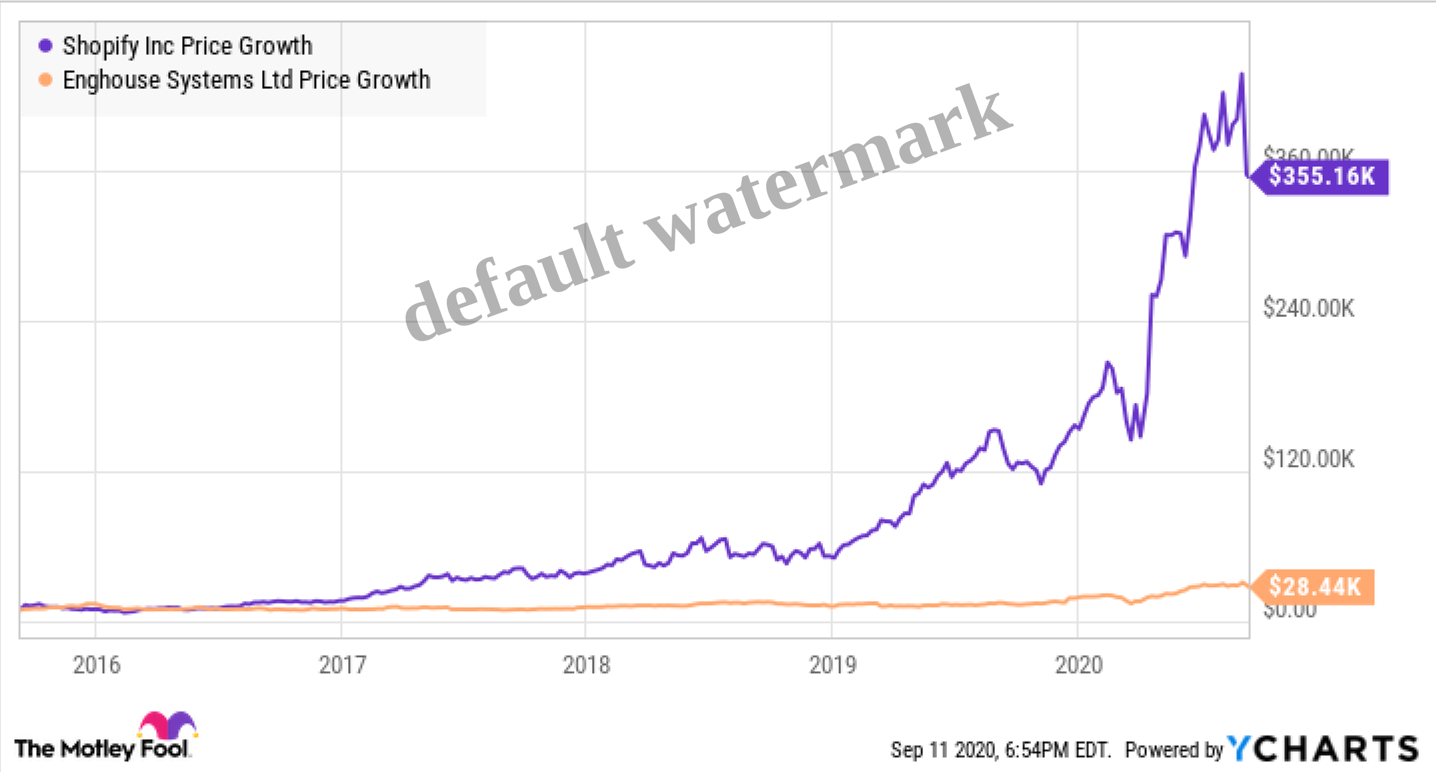
These stocks report relatively stable and predictable earnings that grow at a steady pace in the long run to support their awesome dividends.

They can boost your income immediately by more than three times compared to the best high-interest rate account. Specifically, they offer dividend yields of about 6.5%, 5.9%, and 4.5%, respectively, which average to a yield of 5.63%.

$10,000 invested equally between the three stocks will create annual income of $563. Investors should also expect price appreciation over the period. The total-return performance should, at the minimum, match the long-term average Canadian stock market returns of about 7%.

How to grow your wealth

If you're really keen on growing your savings and you have a long-term investment horizon of at least five years, you should highly consider putting some of your cash in high-growth stocks like **Shopify** and **Enghouse Systems** on dips or after some consolidation.



Data by YCharts.

The earlier you invest in these monster growth stocks, the stronger their wealth-creation effects can be. $10,000 invested in Shopify stock five years ago would have transformed into $355,160! The same amount invested in Enghouse Systems stock would have turned into $28,440. Both are incredibly impressive.

The Foolish takeaway

Cash doesn't produce much of a return these days with historically low interest rates. Therefore, some

Canadians have put money in dividend and growth stocks to get more income and greater returns.

Depending on your investing style, financial needs, and investment horizon, you might opt to put a greater weight on income or wealth generation.

If you’re not sure where best to put your money, talk to a financial planner about your specific situation.

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