



Got Savings? Use it to Earn Passive Income With These 2 Stocks

Description

People are finding out the usefulness of a [passive-income stream](#) during the pandemic. COVID-19 brought unprecedented changes in 2020, mainly to personal finances. Suddenly, you realize that building an emergency fund shouldn't only be a thought. You must set aside money if you want to prepare for unexpected life events.

One of the rules of wealth is that money begets money. Thus, it makes sense to use some of your idle cash to invest in dividend stocks. It doesn't have to be considerable capital. Your money will compound quietly regardless of the amount, and a tidy earning is still better than none.

You can earn passive income with **National Bank of Canada** ([TSX:NA](#)) and **Sun Life Financial** ([TSX:SLF](#))([NYSE:SLF](#)). The stocks don't pay the [highest dividends](#), but income investors feel confident about the dividends' safety.

Super-regional bank

National Bank offers a wide range of banking and financial services like its bigger industry peers. By geographical contribution, Quebec accounts for 55% of the bank's total revenues. Other Canadian provinces provide almost 25%, while the rest comes from international operations.

The dividend of the sixth-largest bank in Canada has grown by a more than 7% CAGR over the last decade. Currently, it pays a 4.28% dividend. A \$20,000 position will generate \$856 in passive earnings. The income stream will be recurring and uninterrupted. Hold the stock for 10 years, and you'll have a lump sum of \$30,411.67.

SMEs, in particular, go to this the 161-year-old super regional bank for their financing needs. Slowly but surely, National Bank is expanding its commercial market presence to complement its specialized market expertise.

Three factors make this stock an attractive investment: strong credit quality, disciplined cost management, and positive momentum across all business segments that drive organic growth.

Trusted name

Sun Life is cheaper than National Bank (\$55.68 versus \$67.03). This leading international insurer and provider of financial services and wealth & asset management solutions pays a 3.98% dividend. Like the bank stock, this insurance stock is a reliable passive-income provider.

Over the last three years, the dividend of the \$32.56 billion company has grown at a rate of 8% CAGR. The payouts should be sustainable as management keeps the payout ratio in check between the ranges of 50% and 60%. In 2019, Sun Life paid 60% of its net income (+\$1.8 billion) as dividends and stock repurchases.

The insurance industry competition is intense, especially from relative newcomers that employ low-cost but high-tech digital-based robo-advisors. However, Sun Life is an established and trusted name. Its business model is balanced and diversified. It would not be easy to dislodge the company from its lofty position.

Improve your financial condition

Navigating economic meltdowns is difficult if your work or income is on the line. Canadians are fortunate the government is extending temporary financial assistance while the coronavirus is raging. However, income support will stop at some point.

Start using part of your savings to invest and improve your financial condition. As your assets produce income, your borrowing appetite will diminish too. More importantly, you can avoid dislocation if another disaster strikes.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:NA (National Bank of Canada)
2. TSX:SLF (Sun Life Financial Inc.)

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