



Canadians Hold \$8,704 in Cash! Do This to Make Money

Description

Under pandemic panic, Canadians are holding [record-high levels of cash](#). Specifically, households are hoarding \$90 billion under their roofs. This translates to \$8,704 per household.

Do you necessarily need to sit on \$8,704 in cash? Perhaps you have more or less. In any case, if you have way more than that amount or realize you don't need that much, here's what you can do with your extra cash to make money in the stock market.

In contrast to what some people believe, investing in the stock market or trading stocks is not necessarily a gamble. When you buy shares of a stock, you're buying a piece of business. You can be as conservative or aggressive an investor as you like.

What makes investing in stocks fun and rewarding is that the stock market provides money-making opportunities all the time. You just need to know where to look.

Make passive income with dividend stocks

Dividend stocks are often [value stocks](#). Traditional dividend stocks include banks, utilities, and telecoms. These dividend stocks tend to share their profits with shareholders by paying out a big portion of their earnings as dividends.

For example, the leading Canadian bank, **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) reported net income of more than \$11 billion and paid out more than \$6 billion in dividends. So, its payout ratio was about 56% for the period. And it retained earnings of about 44% to grow its business.

The big Canadian banks are some of the most profitable businesses available to the public on the **TSX**. When you buy them at discounts, you increase your income and total returns potential. Moreover, they tend to grow their dividends at rates faster than inflation.

To be prudent, regulators will likely prevent the big banks from increasing their dividends in the short term. However, investors can buy the quality bank shares at a discount, which boosts their initial

dividend yields.

As a leading bank, Royal Bank stock has been more defensive than the banks as a group during this pandemic. As a result, RBC stock is already trading at close to fair valuation.

Investors can either buy the wonderful business for a yield of close to 4.2%, wait for a dip, or choose its cheaper banking peer, **Bank of Nova Scotia**, for a starting yield of 5.7%.

Make money with growth stocks

You can also invest in high-growth stocks that are, well, growing rapidly. You'll recognize them with double-digit revenue growth. For instance, you can consider starter positions in **Goodfood Market** and **Shopify** stocks today. Respectively, their trailing 12-month year-over-year revenue growth is 77% and 73%.

The Foolish takeaway

Experts recommend having an emergency fund of three to six months of your living expenses. After building a comfortable level of emergency fund, you might be sitting on some extra cash.

Cash earns close to nothing with today's ultra-low interest rates. If you're looking to make more money, you should consider the top-performing asset class that offers the best long-term returns — stocks.

I recommend that new investors start investing in value stocks that pay good dividends, learn from it, and then expand from there. Value investing should be easier to understand than growth investing for new investors. However, it's not right or wrong to choose to invest in value or growth stocks, as both types of investing can make you money.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

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2. TSX:RY (Royal Bank of Canada)

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