A Little Tweak to Your Cash Reserve Can Earn $100 Monthly in Passive Income

Description

Canadians are hoarding record cash this year due to job insecurity and economic uncertainty amid the pandemic. Strangely, the savings in recent months have increased substantially compared to the historical average. Many Canadians are being way too conservative and piling on excessive cash that they might not need, even in case of the most harmful economic fallout.

Are you being too conservative and hoarding excess cash?

Indeed, keeping a cash reserve is the most crucial factor while managing our own finances. However, I would strongly deter the excessive hoarding of cash, as doing so prevents excellent income-generating opportunities.

Idle money does not create new money and only vanishes with inflation. Instead, allocating the excess cash in dividend stocks offering safe yields can fetch you a passive income every month for a lifetime.

If you are avoiding stock markets just because of the volatility, you are probably over-assuming the market risk. This risk gets curtailed with a longer investment horizon and by picking stocks that have stable earnings and business natures.

Stock markets offer plenty of opportunities with diverse risk and return categories.

Defensive, dividend-paying TSX stocks would be apt for parking your excess cash. They offer stable passive income and capital gains, with reasonable risk exposure.

Safe and reliable dividend stocks to park excess cash

Consider top telecom stock **Telus** (TSX:T)(NYSE:TU). Including dividends, it has returned 370% in the last decade, outperforming the TSX Composite Index and the S&P 500. Telecoms are mature companies and have stable business models.

They earn stable cash flows and, thus, pay stable dividends. Investors should note that telecom companies generally pay a large chunk of their earnings to shareholders in the form of dividends. That's why they have higher payout ratios. Telus has an average payout ratio of 70%.

Telus stock yields 5% at the moment, higher than Canadian stocks at large. If you invest $15,000 in Telus stock, it will pay you $750 in dividends per year. One can expect dividends to increase every year, as the company manages to increase its profits every year. Telus has increased its dividends by 9% compounded annually in the last 10 years.

Passive income and long-term investing

If you are looking for a higher income every month, you can consider a higher-yielding stock like **Enbridge** (TSX:ENB)(NYSE:ENB). A $15,000 investment would generate $1,200 in dividends every year. That's $100 each month. It has increased dividends by 10% compounded annually in the last 25 years.

Enbridge transports 25% of the oil and 20% of the total natural gas needs of North America. Its large pipeline network is non-replicable and acts as a high barrier for new entrants.

Energy stocks like Enbridge are comparatively less risky because of their lower exposure to volatile oil and gas prices. Enbridge is a pipeline company and earns stable fees on long-term contracts, irrespective of crude oil prices.

Bottom line

These are some of the low-risk TSX stocks that pay reliable dividends. If you are sitting on cash, consider investing it in such defensive stocks. Putting your excess cash to work can do wonders in the long term. It will create a stable passive income to pay your bills while also building a reserve for your next emergency.

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Date
2025/07/05
Date Created
2020/12/07
Author
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