Canadians Earned $62,900 in 2019: How You Can Earn More Income

Description

The results are in! Statistics Canada revealed that the Canadian median income in 2019 was $62,900. Specifically, this is the median after-tax income of Canadian families and unattached individuals. This figure is up 0.5% from 2018.

The report also noted that "since 2000, the median … income … has risen at an average rate of 1.2% per year above inflation, increasing by about $12,000."

You can increase your passive income at more than four times this rate as the examples below illustrate!

Earn more income

You can earn more income on top of what you're earning from your job — by using money to earn money. Last year, Canadian corporations on the **TSX** paid out billions of dollars in dividends.

Here are just a few examples. **Royal Bank of Canada** (TSX:RY)(NYSE:RY) paid $6.3 billion. **BCE** (TSX:BCE)(NYSE:BCE) paid $3.1 billion. **Fortis** (TSX:FTS)(NYSE:FTS) paid $851 million.

Dividends are up for grabs for anyone willing to risk their money in the stock market. You can lower your risk by buying during market corrections.

Market corrections are excellent times to buy

Occasionally, the stock market sells off, giving exceptional buying opportunities for long-term investment. For example, during the highly uncertain economic period in the pandemic last year, Canadians greatly increased their cash positions. They could have used a portion of that to invest in the likes of Royal Bank, BCE, and Fortis at rock-bottom prices for dividend yields of more than 5%, 6%, and 4%, respectively.

Lower your cost

Online brokerages charge anywhere from $5 to $10. Assuming $5 per trade, if aim for a cost of 1% or less, you'll need to invest at least $500 each time. To lower your cost, save more before making a trade.

You're not just going to buy one time and be done with a stock. More likely, you'll buy a dividend stock multiple times over the years. By aiming to buy dividend stocks when they're attractively priced, you'll lower your average cost basis.

For example, you could have bought Royal Bank stock at approximately $99 per share in February 2020 and about $87 per share in March 2020 for an average price of about $93. If so, you would be sitting on a yield on cost of about 4.3% and unrealized capital gains of roughly 26%.

Should you buy dividend stocks now?

Currently, the three dividend stocks mentioned are reasonably priced. RBC stock, BCE, and Fortis yield 3.7%, 6.1%, and 3.7%, respectively. Oftentimes, investors buy when money becomes available.

When you buy shares of a company, you become a part-owner of the underlying business. If you plan to partner with these businesses for a long time and share their profits and risks, you might take the passive approach and average in over time as you have excess cash for investment.

Alternatively, you can take a more active approach and aim to buy on dips when the dividend stocks are relatively cheap.

The Foolish takeaway

To earn more income, invest excess cash in dividend-growth stocks like RBC, BCE, and Fortis. For reference, their five-year dividend-growth rates are about 7%, 5%, and 7%, respectively.

That is, when you buy these kinds of stocks at at least reasonable valuations, you will see your income and wealth grow steadily without you investing more money.

Of course, if you keep the habit of investing excess cash when quality dividend stocks dip, you can more quickly boost your annual income!

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

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2. NYSE:FTS (Fortis Inc.)
3. NYSE:RY (Royal Bank of Canada)
4. TSX:BCE (BCE Inc.)
5. TSX:FTS (Fortis Inc.)
6. TSX:RY (Royal Bank of Canada)

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kayng