How to Use Dividend Stocks to Double Your Money

**Description**

Returns from stocks come from dividends and stock price appreciation — both of which are driven by the respective stocks' underlying businesses.

Usually, stocks that pay out nice dividend yields are mature businesses. These safe and juicy dividends can form the basis of relatively stable returns.



## How to double your money with high-yield dividend stocks

For example, **Enbridge** (TSX:ENB)(NYSE:ENB) is a great income investment that yields 7.2%. Based on the rule of 72, which approximates the number of years to double an investment, an investment in Enbridge at a 7.2% yield will double in 10 years, assuming its stock price stays where it is. The stock is more likely to keep growing at a rate faster than inflation, though.

Assuming Enbridge grows its dividend healthily by about 3% a year based primarily on its cash flow growth, an investment today will double in about seven years.

Specifically, if you think you can grow your stock portfolio by 10% a year, then the rule of 72 approximates that it'll take 7.2 years to double your money, equated by 72 divided by 10.

## What about low-yield dividend stocks?

Low-yield, dividend-growth stocks tend to grow their dividends at a faster rate than big-yield dividend stock. In fact, Enbridge increased its dividend at a high rate until fairly recently. Its five-year dividend-growth rate was 11.7%, but its dividend hike this year was about 3.1%.

What I'm trying to get at is that stocks that are growing and increasing their dividends at a high rate can't do that forever. At one point, they're going to slow down. And when they do, their multiples contract. That's one of the greatest risks that investors are taking when they invest in high-growth stocks. Similarly, if these stocks experience growth that is below expectation even for a quarter, their stocks can correct substantially.

That said, when these dividend stocks are growing at a high pace, they can double your money faster.

For example, both of these high-growth tech stocks have been superb long-term investments.

**Tecsys's** 10-year dividend-growth rate is approximately 17%. During the period, it grew investors' money by 25 times by delivering total returns of about 38% per year!

Similarly, **Enghouse's** dividend-growth rate is about 21% over the past 10 years. During the period, it grew investors' money by 12 times by generating about 28% per year.

## More food for thought

Choosing dividend stocks with juicy and safe dividend yields carefully is a safer path to doubling one's money. A diversified portfolio of such dividend stocks will continue the path of doubling your money by paying nice dividend income, even during market corrections and economic turmoil.

However, if you populate your portfolio with high-growth stocks like Tecsys and Enghouse, you can potentially double your money much faster.



In comparison to Tecsys and Enghouse's amazing 10-year returns, Enbridge's returns of 8.5% per year that more than doubled investors' money in the period seem small.

During this time, Enbridge experienced valuation contraction as its growth slowed. As a result of its slowed growth, Enbridge stock still hasn't recovered to the $60 range it hit in 2015 — its all-time high. That said, the dividend stock could potentially return to that level over the next few years.

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**Date**
2025/09/14
**Date Created**
2021/04/18
**Author**
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