



Dividend Stocks: How to Easily Make \$500 a Month

Description

If I were to say that Canadians learned to save during the pandemic, it would be an understatement. After almost two years where Canadians couldn't go anywhere, buy anything, and had to stay home, they learned to put cash aside.

Overall Canadians saved about \$230 billion throughout the course of the pandemic, according to the chief economist at Alberta Central. In fact, Canadians put aside more cash than they had in the last *three decades*.

Now you know what I'm going to say next because it's the Motley Fool after all, and really, it's in the title. What Canadians should be doing with that cash is investing it. And frankly, not enough Canadians are. Only about half of Canadians invest their savings, mainly because they don't know where to begin! Well, I can put a stop to that now, because a great place to start is by finding dividend stocks.

Why dividend stocks

If you find the right dividend stocks, Canadians can buy a stock and see not just shares rise, but can collect [cash through dividends](#) as well. Each quarter, sometimes each month, you can collect that cash like a paycheck. But don't stop there! If you've already learned to save, keep saving.

If you can calculate how much your dividends will be, then you can automatically reinvest that cash into your dividend stocks. Over time, your portfolio will grow larger and larger, even more than if you had just collected that cash!

But what do you look for when purchasing dividend stocks? It comes down to fundamentals. Motley Fool investors need to find stocks with a proven track record of dividend payments and share growth, but also a promising future outlook. It's not just about dividend yield.

After all, you could pick a stock with a dividend yield of 10%! But if the share price is \$5, that means that's only a \$0.50 per share dividend. Not so great.

A great place to start with dividend stocks is by looking blue-chip companies. These are household companies that have decades of growth behind and ahead of them. Luckily, I have a great option.

Go big

If you're new to investing, the Big Six Banks is a great place to start. These are dividend stocks that offer stability even during a time of volatility. Look at the last two market crashes and you'll see exactly what I mean. Within a year, each of the [Big Six Banks](#) came back to pre-crash prices. Now, each trade at all-time highs.

But don't let the share prices fool you. These banks have been growing for over a century in some cases. Instead, take a look at the compound annual growth rate (CAGR) and you'll see where your shares could go in the future. Today, the Big Six Bank that hits all the boxes for me is **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)).

TD stock doesn't just offer a past of growth, but a future as well. The bank has been investing in [growth streams](#) like credit cards and United States expansion, but it also remains focused on creating multiple loan repayment strategies. In this new world of do-it-yourself banking, TD stock offers the best option of the Big Six Banks.

Shares of TD stock have risen 47% this year to all-time highs, currently trading at \$84.60. But over the last two decades, shares are up 759%, for a CAGR of 11.35%!

Meanwhile, it offers a 3.63% dividend yield that's risen at a CAGR of 9.81% in the last decade. And don't let that share price scare you off. It's still a steal, trading with a price-to-earnings ratio of just 10.89.

Bottom line

If you want to make massive passive income from dividend stocks, Motley Fool investors will have to put lots of their savings aside. In fact, to make \$500 per month in just dividends, you'd need to invest \$160,443 at today's prices. But you don't have to do it all at once!

By drip-feeding into this top stock and reinvesting dividends, you can make that amount fairly quickly. In fact, if you invested \$50,000 today and reinvested dividends, you could have that amount in just under a decade.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Personal Finance

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)

2. TSX:TD (The Toronto-Dominion Bank)

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