Passive-Income Seekers: The Dividend Sweet Spot Investors Must Know

Description

A high dividend yield and a cheap share price — it's what we all look for when we seek out investments. But there are still so many considerations. Is the stock able to continue paying that dividend? Is the dividend even that high, despite the high yield? For passive-income seekers, these are real questions with no easy answer.

Today, I'm going to attempt to clear away some of the cobwebs to paint a fairly clear picture. While this is *not* a universal truth, this sweet spot can be used for strong companies with a stable future ahead. Let's dive in.

First, the considerations

What is a strong company to begin with, you ask? This is an important question for passive-income seekers. As Paul Samuelson once said, "Investing should be more like watching paint dry or watching grass grow. If you want excitement, go to Las Vegas."

This is especially true for passive-income stocks. You want companies that are using their revenue not for exciting new projects and investments, but more passive income for shareholders! So, yes, growth is good, but it should be stable, *boring* growth.

With that in mind, finding areas that will be around no matter what are usually some of the most boring industries. Think of utilities, shipping, crop yields, industrials, and other industries in these fields. While these can give you an idea of where to look for passive income, you have to find the sweet spot.

There's a sweet spot?

Oh, yes. What I've found is if you can find a company with a yield over 5%, and a share price between $30 and $40. Now, as I've said, this, by no means, should make you think that companies in this area are an immediate buy. But it's a solid starting point for passive-income seekers to start digging into a stock.

In fact, some of the top Dividend Aristocrats sit right in this category today. And many offer high value based on their past and future expected performance coupled with their share price compared to earnings.

This spot is sweet because a yield above 5% for a share price of between $30 and $40 would put the dividend per share around $2. You could have a high yield for a stock under $10, but that would make it only a few dimes a year. On the flip side, you could get a higher dividend, but often the yield is under 4% or so when the share price is closer to $100.

So, this gives you that sweet spot for passive income to start in on your research. But if you want my advice? The one I'd choose today is **Great-West Lifeco** (TSX:GWO).

Why Great-West?

It hits all the boxes. Great-West is a Dividend Aristocrat, offering investors a share price of $38 as of writing and a dividend yield of 5.16%. So, it's right in that sweet spot range for passive income. Now, I'm going to prove to you why it's a great jumping-off point.

Great-West is in the boring, stable category of insurance. The company continues to expand throughout the world, recently adding Asia to its emerging markets. And it's *cheap*, trading at 10.77 times earnings. In fact, insiders recently invested $3.8 million in the stock given its future performance.

Analysts expect the insurance company to reach a target price of $41, offering a potential upside of 8% as of writing. As its assets under management rise, so too do its earnings. At today's share price, it offers a valuable jumping-in point.

Foolish takeaway

Now comes the good part. If you want passive income, Great-West is a solid choice. You can make a smaller investment to get a significant amount of passive income. At writing, if you were to invest $20,000 in Great-West, you would bring in $1,031 per year in dividends! That's without taking into consideration your valuable returns. Now that's a sweet spot.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:GWO (Great-West Lifeco Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. alegatewolfe
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/09/01
Date Created
2022/01/05
Author
alegatewolfe