



1 Unsophisticated Strategy Is Your Income Opportunity in 2022

Description

Economists say persistent high inflation is concerning for businesses and consumers. Respondents in a recent Business Outlook Survey expect inflation rate to hover above 5% a year from now. Also, the Bank of Canada could hit its inflation target (between 1% and 3%) in five years or 2027.

Meanwhile, the results of the latest Canadian Survey of Consumer Expectations reveal that the uncertainty over inflation has increased. Leslie Preston, an economist at **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)), said the survey shows just how concerning inflation is in the minds of ordinary consumers.

The era of high inflation has replaced the low-interest-rate environment. Consumers risk the loss of purchasing power if prices of goods and services keep rising. If you want to keep up with inflation, one strategy is your [opportunity to boost income](#) or maintain buying power.

Earn with minimal effort

Canadians with money to spare can purchase dividend stocks to earn passive income. Dividend investing is an unsophisticated strategy that provides recurring income streams from dividend payments. However, not all dividend stocks are created equal. Some dividend-paying companies might not have the ability to sustain the payouts in an economic downturn.

In a favourable or bull market, the total return could also be higher if the stock price appreciates. Assuming your purchase price is \$10 and dividend payment is \$0.35, a \$1 appreciation in value translates to an additional \$1.35 in earnings, or an overall return of 13.5%. It's like earning money with minimal effort or while you're asleep.

Core holding

TD is an ideal core holding regardless of the economic environment. Canada's second-largest bank has proven time and again its resiliency to endure financial crises. Even if the share price pulls back,

like in 2020 and today, the payouts will keep coming, nonetheless.

Growth is also on the horizon for this \$151.6 billion bank. TD is poised to become the sixth-largest bank in the U.S. once it completes the acquisition of Memphis-based First Horizon later this year. Besides growing its presence across the border, TD will have an important regional hub.

TD is a buying opportunity this month as it trades at a discount (-11.78% year to date). Also, at \$84.41 per share, the dividend yield is 4.22%. Given the low 41.74% payout ratio, the quarterly dividends should be safe and sustainable.

Strong back-up

Freehold Royalties ([TSX:FRU](#)) in the energy sector is an excellent back-up to TD in a dividend portfolio. At only \$12.74 per share, the royalty stock pays a towering 7.54% dividend. Performance-wise, the dividend stock outperforms the broader market at +16.78% versus -10.34%.

This \$1.98 billion oil & gas royalty company owns vast royalty lands in North America and collect royalties from industry operators doing drilling activities. Freehold is free from capital costs but receives a percentage of production. After an active year in 2021, management increased its dividends by 33%.

Financial flexibility

Dividend investors have more flexibility than those holding cash only. They can save the cash, spend the money, reinvest the dividends, or diversify by purchasing shares of a different company. Any increase in the stock price will also drive up your principal or original capital.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:FRU (Freehold Royalties Ltd.)
3. TSX:TD (The Toronto-Dominion Bank)

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. cliew
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date

2025/08/24

Date Created

2022/07/06

Author

cliw

default watermark

default watermark