2,975 Shares of This Company Could Pay You $599 Per Month

Description

Do you want to receive significant sums of dividend income in your brokerage account every month?

Usually, that's a tall order. Most dividend stocks pay their dividends quarterly, and many stocks pay no dividends at all. Only a small handful pay monthly. If you go out actively hunting for monthly pay dividend stocks you might find yourself searching in a pool that excludes some of the best opportunities.

On the whole, it's best to have a diversified portfolio that includes quarterly paying dividend stocks, monthly paying dividend stocks, and non-dividend stocks. If you happen to be looking for a monthly dividend stock to add to your portfolio, read on, because I'm about to reveal one Canadian dividend stock that can pay you up to $599 a month if you buy 2,975 shares.

First National

First National Financial (TSX:FN) is a Canadian dividend stock with a 7.19% yield. If you invest $100,000 in it, you get $7,190 back in dividend income per year ($599 per month) — assuming the dividend doesn't grow. If the dividend increases, then your yield on cost grows over time. Yield on cost means dividend yield calculated with purchase price instead of current market price. It's the best measure of the dividend yield being earned by someone who invested in the past.

Over the last five years, FN's dividend has grown by 6.6% per year. That is a decent dividend-growth track record. This year, the dividend is $0.195 a month, or $2.34 per year. In 2016, it was only $1.692 per year. So, if you'd bought FN stock five years ago, you'd have a much higher yield now than you had when you bought, which is pretty incredible considering you get a very high yield if you buy today!

Recent earnings

In its most recent quarter, FN delivered the following:

- $129 billion in mortgages held, up 5.7%
- $392 million in revenue, up 11%
- $40 million in net income, down 15%
- $210 million in operating earnings for the nine month period, up 1.9%

As you can see, earnings are going down, but are being affected by changes in the fair value of FN's mortgages. Basically, when interest rates go up, older mortgages go down in value. It's a loss in accounting terms, but you still collect the same in interest. So, FN's earnings picture is not as bad as it looks. In revenue terms, it's actually doing quite well.

Why FN's revenue is rising this year

You might be surprised to see that FN's revenue is going up this year, given that the Canadian housing market is slowing down. It has to do with the effect of interest rates on mortgages. This year, the Bank of Canada is raising interest rates aggressively, and that is pushing up the interest expense on variable-rate mortgages. "Variable-rate mortgages" are mortgages where the interest rate changes over time.

All Canadian mortgages could potentially see their interest rates change after three to five years; with variable-rate mortgages, the changes can be even more frequent than that. So, FN is collecting more income on the mortgages it owns, even though it's issuing less of them.

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