



Enjoy +7% More Passive Income Every Year: Here's How

Description

Income requires work. Your job requires you to actively work to earn you income and you may not even get the raises you deserve. Investment income may not require work.

Guaranteed investment certificate (GIC) income provides passive interest income. You lend, say, \$1,000 to your bank or another financial institution. It guarantees to protect your principal and pay you a certain interest rate, but it doesn't give you more passive income every year.

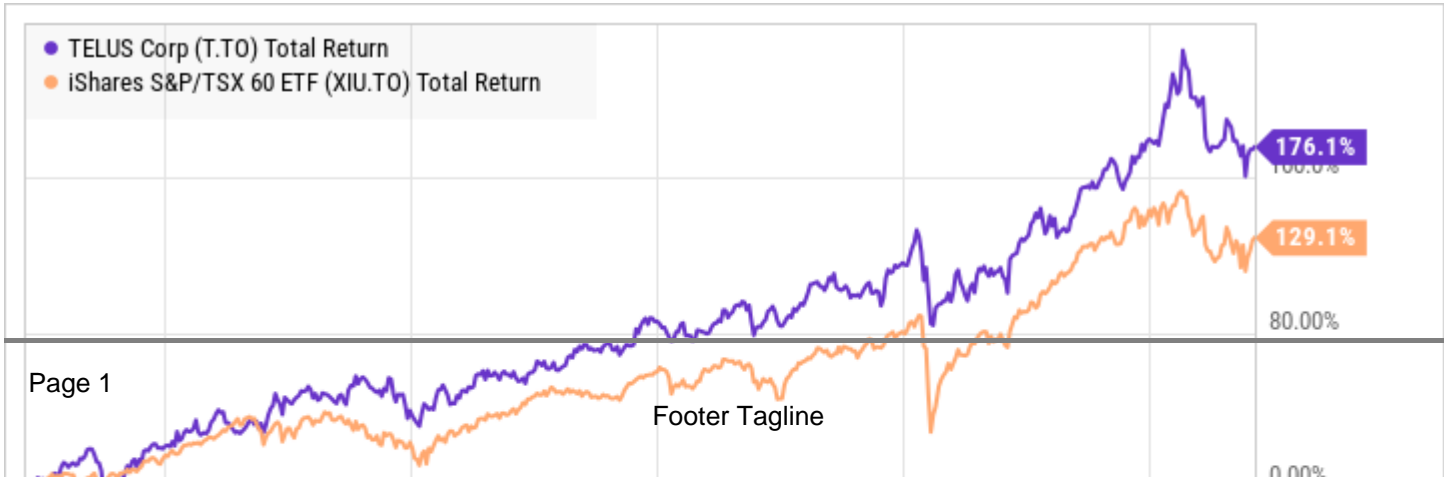
Simply buying dividend stocks blindly doesn't necessarily give you more passive income every year either. You must carefully select a diversified basket of dividend stocks that have durably growing earnings or cash flows to support healthy growth of your dividend income.

Here's a [blue-chip](#), dividend-growth stock that can work beautifully and passively.

TELUS stock

TELUS ([TSX:T](#)) is a low-risk dividend stock. It moves in tandem with the Canadian stock market, but Yahoo Finance shows it has a lower recent beta of 0.60, which suggests it has lower volatility than the market, which has a beta of one. That makes sense, because TELUS stock pays higher income than the market and is also a Canadian Dividend Aristocrat.

The telecom stock has outperformed the market in total returns in the long run primarily due to its durably growing dividend. Here are its 10-year total returns. The difference adds up. Over a decade, TELUS stock beat the market by about 47%, which is almost half of the original investment.



T and XIU Total Return Level data by YCharts

Moreover, TELUS has increased its dividend for about 18 consecutive years with a proud 20-year dividend-growth rate of 7.5%. That's solidly stable growth of income for investors and higher than the long-term inflation rate!

Although TELUS is larger than it was 10 years ago, it has found new ways to grow. Through 2025, the telecom stock is committed to increasing its dividend by 7-10% per year. Its growth drivers include **TELUS International**, its IT services outsourcing and consulting firm, which contributes approximately 15% of its revenue. The firm is growing fast with operations in 28 countries and already has more than 600 clients.

The dip of about 17% from its peak to below \$29 per share is a good time to pick up some quality TELUS shares for an initial dividend yield of 4.9%.

Bonus: Get even more passive income every year

You can buy quality [dividend stocks](#), do nothing, and earn more passive income from dividend growth, BUT if you add more of your savings to your dividend portfolio regularly and reinvest your dividends, you can grow your passive income much faster.

An initial investment of \$10,000 in TELUS stock 10 years ago would have generated \$7,300 dividend income in the period. The yield on cost would be just under 9.8%. If the dividends were all reinvested back into TELUS stock, the total dividend income generated would be \$9,437 and the yield on cost would be 14.6% instead. This yield on cost makes almost 49% more passive income than the 9.8% in just a matter of 10 years.

You don't necessarily have to reinvest dividends back into the same stock, but doing so makes the investing process automatic and therefore passive. What's helpful for your long-term wealth creation is to reinvest your dividends (actively and passively) regularly when you don't need the income yet.

CATEGORY

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