



Want to Generate \$500 in Annual Income? Start With These 3 Dividend Stocks

Description

As savings accounts pay record-low interest rates on deposits, and bonds similarly offer record-low rates, individuals who require regular and predictable income may be wondering where to turn. If you have additional capital and are looking to generate \$500 in annual income at a relatively low cost, these three dividend stocks are a good place to start your search.

BCE

BCE ([TSX:BCE](#))([NYSE:BCE](#)) is Canada's largest telecommunications company by market capitalization. The company has a very stable mobility, internet, and television business. BCE also has the Bell Media division, which has struggled in 2020.

However, a strong rebound in demand for sports and sports content in the second half of 2020 and in 2021 should bode well for BCE. As owners of both sports teams and sports media, BCE stands to benefit significantly from the [return of sports](#).

BCE pays a quarterly dividend that equates to \$3.33 annually. If you wanted to generate \$500 in annual income exclusively from BCE shares, you would need approximately 150 shares.

BCE also raises the dividend by approximately 5% annually. Thus, a \$500 income stream today will likely grow at a faster rate than inflation, maintaining purchasing power if the prices of goods and services begin to rise.

TD

The Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) ("TD") is Canada's second-largest bank. TD has a very large retail presence in the United States, with more locations south of border than in Canada. However, TD's loan portfolio is mostly allocated towards Canadian borrowers.

The U.S. dollar has taken a bit of a tumble since March. From TD's perspective, this could prove to be

advantageous, especially if the Canadian dollar continues to gain against the U.S. dollar. As TD derives the bulk of total profit from Canadian borrowers, a rising Canadian dollar would make it cheaper to lend to U.S. clients, which could allow the bank to grow U.S. loan volumes at a low cost.

TD pays a quarterly [dividend](#) of \$0.79, which equates to \$3.16 annually. You would need about 160 shares of TD to generate \$500 in annual income. TD has grown the dividend at 10% annually over the past decade. Thus, your income stream will likely increase in purchasing power going forward. However, it is too soon to tell whether TD's dividend-growth rate will be impacted by the pandemic.

Enbridge

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) owns vital midstream oil and natural gas infrastructure across North America. Importantly, it owns one of the few pipelines connecting the Canadian western provinces with vital U.S. markets. This means that Enbridge benefits from an extremely wide moat, especially given the difficulty in building pipelines in Canada over the past decade. This results in recurring and predictable cash flows that Enbridge is able to pass on to shareholders.

Enbridge pays a quarterly dividend of \$0.81, or \$3.24 annually. Enbridge offers the highest starting yield of the three companies discussed. This means that Enbridge requires the smallest initial investment to generate \$500 in annual income.

Investors would need to purchase approximately 155 Enbridge shares to generate \$500 in annual income. Like BCE and TD, Enbridge has a long history of dividend growth.

Enbridge has maintained a double-digit dividend-growth rate for the past 25 years. Thus, Enbridge's dividend payments will likely withstand inflationary pressures very well, even if inflation rates increase sharply from current levels.

Takeaway

Compared to some other dividend stocks, these three stocks can help you generate \$500 in annual income with relatively little upfront capital. However, as always, don't put all of your eggs in one basket. Make sure to diversify your portfolio and ensure that you are not exposed too heavily to any single stock.

Furthermore, don't focus on dividends to the exclusion of all else. Make sure to identify companies with strong, high-moat, and resilient business models — generous dividends will often follow.

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2. NYSE:ENB (Enbridge Inc.)
3. NYSE:TD (The Toronto-Dominion Bank)
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