

Empify



THE
BEGINNERS
GUIDE TO CREATING

PASSIVE

INCOME

IN THE
STOCK
MARKET

The Beginners Guide to Creating Passive Income in the Stock Market

Understanding the basics of dividends is the first step to changing your life and adding to your legacy! Recent events have shown us that now is the time to create passive income. We can no longer depend on one stream of income that's dependent on us actively working. In this guide, you'll learn the basics of earning passive income from stock market investments.

What is a dividend stock?

A dividend stock is a stock that pays out cash to its shareholders on a quarterly or monthly basis. Dividends are the foundation for a stock having the ability to generate passive income for you. The dividends that a company pays to its shareholders are usually created by the profits that the company generates. Usually, long-standing companies are dividend stocks because of their consistency with earning a profit, and stability in their business model. For all companies, except for REITs, paying dividends is an optional practice. Companies typically use dividends to attract additional investors and keep existing investors.

There are several types of investments that pay dividends!



Stocks
Established companies



ETFs
Group of companies

Mutual Funds
Group of companies



REITs
Real estate companies



What a dividend is and how do you receive them?

What is a Dividend?

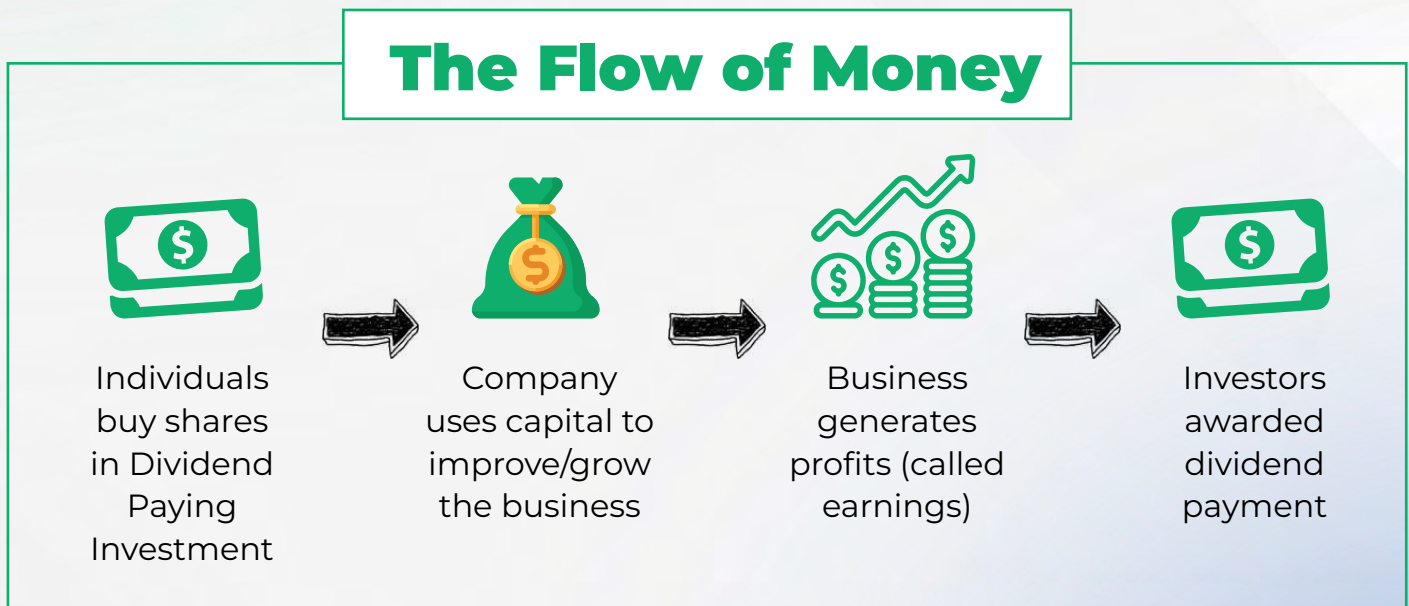
A dividend is a payment to investors of profits a company or group of companies has made or a specific time period. Dividends are usually paid on a monthly or quarterly basis. A key to financial independence is ownership of income streams. Investing in dividend paying investments helps you achieve that.

Once you own shares in a company that pays dividends, you will receive the dividend payout on their set schedule. All dividend-paying companies establish an annual dividend amount that will be paid to shareholders over the course of 12 months. This annual dividend amount is typically split into 4 quarterly payouts. Some REITs have adopted a monthly payout schedule. Dividends are deposited into the investment account where the shares are held. The payment dates are determined by the dividend-paying company and are provided to you in advance. There is a powerful account feature called DRIP that supercharges the impact of your dividends. We'll explain that later in this guide!

Why Are Dividends Important?

Dividends are the foundation for becoming financially independent using a passive income. Also, ownership of shares in a dividend-paying investment can be handed down to the following generations to create *generational wealth*.

You may find yourself looking to walk away from a draining job or eliminate the cycle of financial stress in your family, yet you cannot identify ways to truly make that happen with the 24 hours in a day. This is where dividends come into play. Dividend stocks can be your bridge to creating additional income that does not require you to actively work a job. In this case, a company does business like normal and you benefit as an investor in real time! Dividends can also be reinvested to purchase more shares automatically instead of being paid to you in cash. Reinvesting helps your portfolio grow faster especially if the current dividend amounts that you earn are not enough to support your goals or lifestyle yet.



What is DRIP and Why Do I Need It?

The younger generations associate “drip” with clothing styles and swag. In the investing world, D.R.I.P. is an acronym for Dividend Reinvestment Program (or Plan), which is a feature within your brokerage account. This feature is a secret to accumulating more shares without investing more money.

What is DRIP?!

DRIP = Dividend Reinvestment Plan

- **DRIP** is a setting in most investment account that automatically reinvest dividends back into that specific company
- By reinvesting the dividends, you eliminate the requirement to pay income taxes on the dividends that are received as cash

The Secret to Getting the Most Out of Passive Income Investments

DRIP!! In the investing world created D.R.I.P. which is an acronym for Dividend Reinvestment Program (or Plan). This feature is within your brokerage account and is often a default setting for helping you maximize the total return on your investment by purchasing more shares for you during every dividend payout. This feature is a secret to accumulating more shares that you’ve probably never heard about. Compounding interest occurs at the rate of the dividend yield.

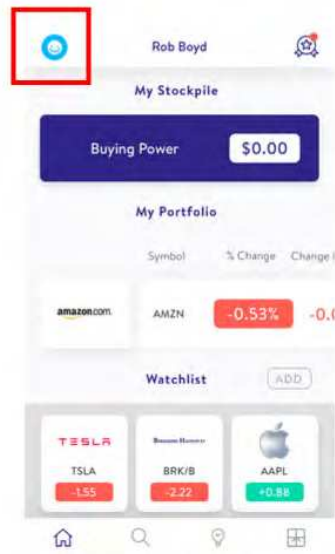
As a beginner investor, we suggest platforms like Stockpile and Charles Schwab which have useful tools that will help start your journey as an investor. Next, you’ll find a visual walkthrough of how to activate DRIP in these respective brokerage accounts.

Stockpile



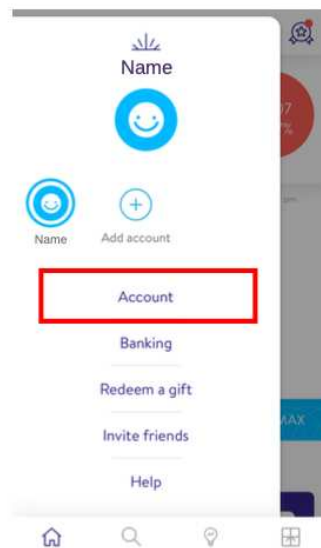
Step 1: Sign into account

On the home screen, look for the smiley face icon. This will open a drop down menu



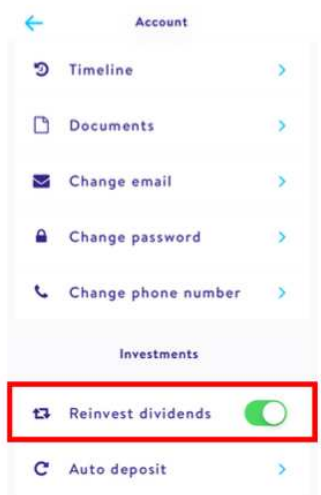
Step 2: Go into Account Settings

Select "Account" to access information like your Account Number or setting up Auto Deposit



Step 3: Go into Account Settings

Turn the "Reinvest Dividends" button to green. This is the "DRIP" feature in the Stockpile App



Formula to Calculating a Dividend

There are calculators all over the internet that help you calculate your expected dividends but you should know the math too! Proficiency and confidence in investing develop from understanding *how* investments work and not just what they do for you financially.

For individual share

$$\text{Stock Price} \times \text{Dividend Yield} = \text{Annual Dividend}$$

For all shares you own

$$\text{Total Value of shares} \times \text{Dividend Yield} = \text{Total Annual Dividend}$$

Formula to Calculate How Much You Need To Hit Your Passive Income Goal

The most effective approach to growing as an investor is to break your big goals into manageable checkpoints that encourage progress. One way to achieve your passive income goals is to determine the annual amount you would like to receive from your investments. Here are some ideas that can help you create these goals:

- Annual travel budget
- Salary replacement (retirement)
- Annual car note
- Mortgage
- Life Insurance premiums
- Childcare costs

After determining your passive income goal amount, you have to identify how much your investments must be worth to create that income amount. One critical thing to remember is that stock prices grow over time as you may be gradually investing. So don't get caught with thinking you must invest every dollar needed to achieve the account value that creates your desired dividend income. Along the way, DRIP and stock price increases will help you accumulate a balance that's much larger than the amount you actually invested.

However, one of the most effective ways to calculate the number of shares you'll need to own of a particular company in order to create your dividend goal is:

Annual Income Goal (Dollars) / Annual Dividend \$ Amount (per share) = Number of Shares Needed

Keep in mind that you do not have to depend on one company to provide the dividends you need to reach your goals. If you choose to rely on multiple companies to help you reach financial independence be sure to use the formula above for the portion of the income you want a particular company to produce for you.

Here are 10 examples of Dividend Stocks that are known for consistent dividend payouts







Earning dividends is a goal for those who want to earn a passive income from investments, not just get capital appreciation. There are companies on the stock market that focus on passing on profits to shareholders on a regular basis (quarterly or monthly). You can benefit from this by simply owning shares in those companies and collecting dividends.





Consistency and **longevity** are two of the terms you want to hear related to dividends.

Here is a list of the top 10 companies with the longest history of dividend increases and the highest dividend yields.

All of the companies included in this guide are *Dividend Aristocrats*.

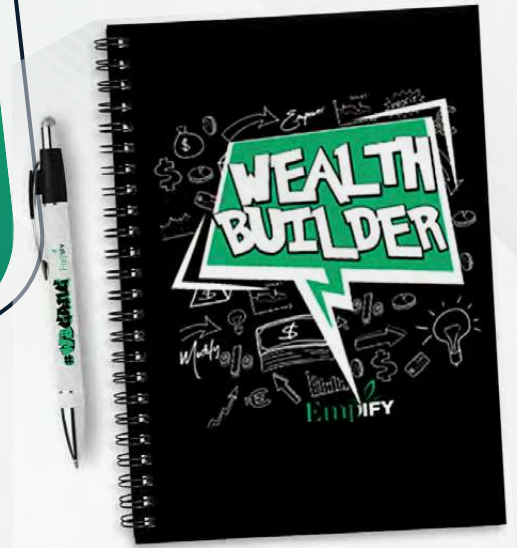
There are companies that have paid and increased its dividend for at least 25 years, consecutively.

Company Name	Stock Ticker	Stock Price Under \$100	Years of Dividend Increase	Dividend Yield	Dividend Amount (\$ per share)	Sector/Type of Business
 Chevron Corp.	CVX		37	3.97%	\$6.52	Energy
 International Business Machines Corp.	IBM		29	4.02%	\$6.64	Technology
 Realty Income Corp.	O	✓	30	5.56%	\$3.08	REIT
 Amcor Plc	AMCR	✓	40	4.87%	\$0.52	Consumer Cyclical
 Federal Realty Investment Trust	FRT		56	4.26%	\$4.36	REIT
 FRANKLIN TEMPLETON Franklin Resources, Inc.	BEN	✓	43	5.21%	\$1.24	Financial Services

Company Name	Stock Ticker	Stock Price Under \$100	Years of Dividend Increase	Dividend Yield	Dividend Amount (\$ per share)	Sector/Type of Business
 3M Co.	MMM	✓	66	6.22%	\$6.04	Industrials
 PROPERTY TRUST, INC. Essex Property Trust, Inc	ESS		30	3.80%	\$9.80	REIT
 T.RowePrice T. Rowe Price Group Inc.	TROW		37	4.47%	\$4.96	Financial Services
 kenvue Kenvue	KVUE		62	3.91%	\$0.80	Healthcare



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to share your
success and
updates on your
progress in the
WealthBuilders
Community
App**



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