

April 21, 2020

Dividend Reinvestment Plan (DRIP)

The market sell-off has given us all a chance to participate in buying more of the stocks we own and like at a discounted price even if you do not have new money to put into your portfolio. The name of the game is DRIP- Dividend Reinvestment Plan. Dividend reinvestment plans are a tremendous way to buy stock when you don't have extra money to put in your account and has the ability to create compound returns on your investment.

If we hold a company that we like for the long term valuation, potential growth, and dividend income and we want to buy more of it at a discounted price then a Dividend Reinvestment Plan (DRIP) is the route to go. Especially if you do not have new money to put into the market you may still be able to add to a great company that you already own.

How it works

Using **GSY** (GoEasy Ltd.) as an example.

If the dividend is \$1.80 per share paid out on a pro-rated quarterly basis, the quarterly dividend is 0.45 per share. If you have 500 shares then if they pay 0.45 per share you would earn a dividend of \$225 (0.45 x 500 shares). Divide the price of the shares into the dividend owed to figure out how many shares you could buy. If the share price of the DRIP Stock is calculated at \$37.50 per share then divide \$225 by 37.50. This equals 6 shares. So you would automatically receive six shares of GSY instead of the cash dividend. If there is any money left over that does not allow for a whole share purchase then it is deposited to your account as cash.

I am a strong advocate of using DRIP share purchase programs whenever the markets are at their lows.

Sincerely,

John S. Bruce, CIM
Senior Investment Advisor
Private Client Division
Direct Line- 613-491-3344
Fax- 613-491-2292
Toll Free- 866-860-4190
Email- jbruce@mackieresearch.com
www.creatingwealth.ca | www.mackieresearch.com

Assistant - Robert Trei
Direct Line - 416-860-7788
Toll Free - 1-844-860-7788
Fax - 416-860-6798
Email - rtrei@mackieresearch.com

Sources: CI Investments Inc., Johns Hopkins University (JHU), Bloomberg Finance L.P., oilprice.com, The Bank of Canada, Yahoo! Canada Finance and POLITICO LLC.