How to Invest $10,000 for Passive Income Today

Description

How do you invest $10,000 for passive income today? I'm glad you asked. You can choose five to 10 diversified exchange-traded funds (ETFs) and invest $2,000 or $1,000 in each. Choose diversified ETFs, so there's as little correlation as possible between them. After all, you don't want to over allocate your portfolio to any one sector, group of stocks, or bonds.

If you're building a portfolio of stocks, you can also choose five to 10 diversified stocks. Let's assume you chose to buy roughly $2,000 in five diversified dividend stocks to minimize trading fees.

Choose Bank of Nova Scotia for a nice yield and moderate growth

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) has a strong presence in Canada, but is also one of the most global banks in Canada. It has retail and commercial banking operations in over 55 countries.

Today, it yields 4.7%. So, an investment of roughly $2,000 at $60 implies you can buy 33 shares and earn $93 per year. The bank is likely to grow earnings 4-6% in the foreseeable future, so investors can expect its dividend to increase in that range as well.

Choose Brookfield Renewable Energy for a high yield

Brookfield Renewable Energy Partners LP (TSX:BEP.UN)(NYSE:BEP) can generate up to 7,400 megawatts (MW) of power using its hydropower facilities and wind farms. Its contracted cash flows make its annual payout of 6.3% really safe.

The high yield is partially due to the strong U.S. dollar. The utility pays out U.S. distributions. If we assume that the U.S dollar declines and a US$1 dollar equates to CAD$1.15, the shares would still yield close to 5.5%.

Buying $2,000 worth of shares at $35, implies you can buy 57 shares, and earn $109-125 per year. The utility forecasts to grow distributions by 5-9% per year.

Choose Enbridge Inc. for a decent yield and high growth

Enbridge Inc. (TSX:ENB)(NYSE:ENB) stores and transports oil and gas, and can generate up to 1,800 MW of power. Enbridge is planning to invest $38 billion into the business through 2019. So, the business can see itself increasing dividends by 14-16% per year through to 2019.

It yields 3.3%. When buying $2,000 worth at $56.50 per share, you can buy 35 shares and generate $65 of passive income per year. And you'd generate $109-117 by 2019.

Choose Loblaw for double-digit growth

Over 14 million Canadians shop at a **Loblaw Companies Limited** (TSX:L) retail store every week. Its 2,300 stores across the country include banners such as Shoppers Drug Mart, Extra Foods, Superstore, T&T Supermarket, etc.

At $69 per share, Loblaw's shares aren't cheap, but trade at a high multiple of 20. It only yields 1.5%, but its earnings are expected to grow at a rate of over 12% a year. So, it's a solid consumer staple stock to consider.

Choose Dream Office REIT for its 10% yield

Lastly, there's **Dream Office Real Estate Investment Trust** (TSX:D.UN) to compensate for Loblaw's low yield. Dream Office yields 10.6% at $21.2 per unit. It collects rent from 2,200 tenants across 34 cities.

Its payout ratio is on the high end at 95%, leaving little room for mistakes. The good news is, Dream Office's occupancy rate has historically been higher than the national office occupancy rate by 3-4%, so the REIT could either keep old tenants or get new ones pretty quickly.

When buying $2,000 worth at $21.2 per unit, you can buy 94 units and generate $210 of passive income per year.

In conclusion

By owning roughly $2,000 each in shares at these prices, you could get an average yield of 5.1%, a passive income of $510 per year. That income will grow at least 6% year over year based on the dividend growth estimates above, though Dream Office's distribution is not expected to grow.

At the end of the day, only you understand your own risk tolerance and time horizon, and only you can choose whether you want more growth or income. It's not hard to invest $10,000. The hard part is deciding what to buy based on your goals for each investment and for your portfolio, and holding on to the shares to achieve your goals.

The long-term investment approach encourages you to buy more shares over time. If you consistently invest through the ups and downs, you'd get the most growth and income from your dividend portfolio. If you do it right, you should be happy to pick up more shares when prices go lower.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:ENB (Enbridge Inc.)
4. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
5. TSX:BNS (Bank Of Nova Scotia)
6. TSX:D.UN (Dream Office Real Estate Investment Trust)
7. TSX:ENB (Enbridge Inc.)
8. TSX:L (Loblaw Companies Limited)

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Date
2025/08/25
Date Created
2015/10/16
Author
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