



Collect \$1,000 Per Month in Income From Bombardier, Inc.

Description

Collecting \$50 or \$100 per month in dividends from stocks is nice, but getting enough money to cover your phone or Internet bill isn't exactly life altering.

But if you could get that up to \$1,000 per month in passive income, it would have the potential to really make a difference. In some parts of Canada, that's enough for a mortgage payment. And if you chose to reinvest that capital, it could really supercharge your retirement.

There's just one issue. With a regular stock yielding say 5%, it takes a lot of capital to get to the point where you're collecting \$1,000 per month. It would take \$240,000 in capital to generate \$1,000 per month in passive income, and that's ignoring taxes and other expenses.

For many folks just starting out on their investing journey, that seems like an insurmountable goal. A quarter of a million is a lot of money.

But what if I told you there's a way you could earn \$1,000 per month after investing just \$100,000? That certainly seems more doable for the average Canadian investor. That's an investment with an jaw-dropping yield of more than 12%.

Such an opportunity exists in Canada right now with a company not known as a dividend payer.

How is this possible?

Unless you've been living in a cave over the past few months, you've probably heard of the struggles of **Bombardier, Inc.** ([TSX:BBD.B](#)).

Essentially, the company is in danger of running out of money while trying to finish its upcoming CSeries line of regional jets. The program has been plagued by delays, cost overruns, and even mechanical issues. If something is capable of going wrong, chances are that it's happened to the CSeries. Because of these many issues, Bombardier has been forced to push back delivery to customers twice.

Customers are growing weary of these delays. Throughout 2013 and 2014, orders for both CSeries models were brisk. The airlines buying these planes were attracted to the promises of greater fuel efficiency and quieter engines. But sales have fallen off a cliff in 2015. Besides, both Boeing and Airbus make good planes now, and they actually deliver on time.

The other issue with Bombardier is its balance sheet. To put it simply, the company could need a fresh cash infusion in order to get the CSeries to market. And that's even after the company went to the public markets earlier this year for funding and after the Quebec government announced an investment in the troubled program.

There are a lot of issues with Bombardier; that much is obvious. But if the company survives, there's also a chance for income investors to lock in some very generous yields.

Enter the preferred shares

Bombardier cut the dividend on its common shares to zero earlier this year, but the company's preferred shares are still paying out generous yields.

Let's look more closely at the series 2 preferred share (ticker symbol BBD.PR.B), which pays a monthly dividend of 80% of the value of the Canadian prime rate. Based on the \$25 par price, that works out to a yield of 2.7%.

But this preferred share doesn't trade anywhere close to par. The closing price on Friday was just \$5.60, putting the yield at 12.06%, which means an investment of just \$100,000 will generate \$1,000 per month in income.

This is hardly a secure yield. As mentioned, Bombardier is currently having financial difficulties. But the company still has a few tricks up its sleeve before bankruptcy is the only option. It can sell off part of the more stable transportation division. And the Quebec government looks to be a very willing partner. And finally, it can approach one of its competitors for an investment in the CSeries.

If Bombardier finds a way out of this mess, there's also the potential for nice capital gains from the preferred shares. The stock could trade up to \$8 or \$9 once investors get more comfortable with Bombardier's future, which would still be a yield of about 8%.

It's probably best to not put \$100,000 worth of capital into this idea. But for a small part of your portfolio, these preferred shares could be an interesting choice.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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1. TSX:BBD.B (Bombardier)

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Author

nelsonpsmith

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