



Collect \$1,000 Per Month by Investing Like Kevin O'Leary

Description

When Kevin O'Leary announced he was leaving *Dragon's Den*, it brought sadness to many of the show's fans.

O'Leary was famous for being the mean dragon. He didn't hold back when telling pitchers their ideas were terrible, bringing more than one presenter to tears in the process. Many fans—including myself—appreciated O'Leary's candor. He was entertaining, funny, and perhaps best of all, he was saying exactly what was on the viewers' minds. In a way, he was sticking up for us viewers, rightfully making a mockery of businesses that had zero chance of ever becoming something.

During his nine years on the show, O'Leary taught us all sorts of valuable lessons on investing. Let's talk a little more about one of the most important ones: making sure you get cash flow.

Get paid to wait

O'Leary loves dividends. He's stated on many occasions that he won't invest in a publicly traded stock unless it pays him a dividend.

This attitude was prevalent on *Dragon's Den* as well, and is obvious to any viewer of *Shark Tank*, the U.S. version of the show that also features O'Leary. O'Leary will often include a royalty as a condition of an offer. He might ask for a certain percentage of sales or a set amount off each unit sold.

If O'Leary is feeling generous or if he particularly likes an idea, he might put in a condition where the royalty only persists until he gets his original capital back. Otherwise, he'll ask for a royalty as well as an ownership stake in the company, two conditions that last forever—or at least until the company is sold.

It's easy to see the appeal of a royalty deal from O'Leary's standpoint. Investing in potential is hard; all sorts of things can go wrong. If the business explodes, early investors can get very rich. But as we all know, most businesses don't really take off. They either stick around as small entities or they end up going bankrupt for a myriad of reasons.

If O'Leary can collect a royalty while the business is thriving, it reduces his risk. It also allows him to get capital out of the business, which he can then put to work in other opportunities, creating a compounding machine.

Retail investors might be thinking that the world of royalties is only for sophisticated investors with millions of dollars in capital. After all, even small deals on *Dragon's Den* are usually worth six figures, and it's silly for an investor to put most of their capital into one unproven business.

Fortunately, there are easier ways to get into the royalty business. Here's how.

Invest in royalties

In Canada, there are two publicly traded companies that do nothing but the kinds of deals O'Leary loves. They find a company that needs cash and exchanges that cash for an ongoing stream of income. These companies are **Alaris Royalty Corp.** (TSX:AD) and **Diversified Royalty Corp.** ([TSX:DIV](#)).

Each of these companies has diverse holdings. Alaris has partners like End of the Roll, Planet Fitness, Kimco, and other large private companies you've likely heard of. Profits are paid out to shareholders in the form of dividends and are invested back into getting more royalty deals. Currently, Alaris shares yield 5.4%.

Diversified Royalty is much smaller than Alaris with a market cap of \$250 million. It has fewer royalty streams than Alaris, but it boasts some well-known partners like Mr. Lube, Sutton Real Estate, and Original Joe's restaurants.

Diversified Royalty also beats Alaris in the dividend department; it pays out a 10% yield.

Both of these companies have high enough dividends that investors can build themselves a cash-generating machine with a relatively small amount of capital. If an investor bought 30,000 Diversified Royalty shares and 3,703 Alaris shares, they'd generate passive income of \$1,000 per month. Not bad for an initial investment of less than \$180,000.

Perhaps \$1,000 per month is out of your reach. It's okay. We'll show you how to start your own passive income stream with less capital. Kevin O'Leary would be proud.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AD.UN (Alaris Equity Partners Income Trust)

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