



Collect \$500 a Month From These 5 Monthly Dividend Studs

Description

Who couldn't use an extra \$500 per month?

Think about the kind of freedom \$500 each month could buy you. It's enough to cover a car payment, groceries for a family of four, or even a big chunk of your monthly utilities. Paying the gas bill isn't so bad if it's covered by passive income.

I firmly believe every Canadian investor should be working towards building themselves a passive-income empire. There's no better feeling than getting paid each month to do absolutely nothing.

Here's how you can build your own passive-income empire and make \$500 per month.

How to get to \$500/month

Let's assume somebody has \$6,000 per year to invest. How long would it take for that investment to consistently churn out \$500 each month in income?

Let's look at two different scenarios. The first will assume an investor collects a 5% dividend and zero capital gains. The second will assume a modest 5% increase each year to go along with the dividends for a total return of 10%.

After 14 years, \$6,000 invested annually will be worth \$121,471, assuming just a 5% return. That's enough to spin off \$514.46 each and every month.

Things happen a little faster if the investment returns 10% per annum. After 11 years, a \$6,000 annual investment is worth \$122,305, which would translate into monthly income of \$509.60.

The process is accelerated if you up the amount invested, of course. If you invested \$1,000 per month for eight years at a 5% annual return, you'd hit \$500 per month in passive income. It would take a little less than seven years to accomplish the same thing with a 10% annual return.

What stocks to pick?

Now that we've got the logistics out of the way, the only thing left to do is pick stocks that offer succulent monthly dividends.

Alaris Royalty Corp. (TSX:AD) is a great first pick. It supplies capital to private companies that can't tap traditional bank financing. Alaris gets paid between 10% and 15% annually for its trouble, plus it has a clause that grows the payout as sales grow.

Alaris has been struggling with a couple of its investments, but it does make enough to cover its succulent 7.4% dividend. Look for the share price to move higher once it gets some good news.

Pizza Pizza Royalty Corp. (TSX:PZA) continues to be one of my favourite monthly income stocks. The owner of Pizza 73 and Pizza Pizza does a nice job slowly growing the brand through new locations and improving same-store sales. Pizza is also the perfect food to order through the internet. Pizza Pizza shares yield 4.8%.

Altagas Ltd. (TSX:ALA) is another terrific monthly dividend payer. Shares are temporarily depressed because Altagas will dilute existing shareholders when it acquires **WGL Holdings**. I doubt investors will have any concerns about this deal five years from now. Shares currently yield 6.7%, and management promises to hike the payout by 8% a year through 2020.

Inter Pipeline Ltd. (TSX:IPL) has nicely positioned itself to be the primary transporter of crude oil from the oil sands to Edmonton-area refineries. It quietly continues to grow while competitors are stymied by national regulators. Shares yield 5.8%, and the company has increased its dividend by 9% annually over the last five years.

First National Financial Corp. (TSX:FN) has quietly become one of Canada's mortgage powerhouses with nearly \$100 billion in mortgages under administration. Revenue was up 15% in 2016 with net income increasing 84%. Despite that kind of growth, shares trade at just over eight times earnings and yield 6.2%.

The bottom line

An investment of equal parts Alaris, Pizza Pizza, Altagas, Inter Pipeline, and First National would yield 6.2%. That means it would take approximately \$97,000 in capital to generate \$500 per month in consistent monthly dividends.

I realize most investors don't have \$97,000 kicking around, but what a glorious thing to work towards. You can get there. We can help.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:AD.UN (Alaris Equity Partners Income Trust)
2. TSX:ALA (AltaGas Ltd.)
3. TSX:FN (First National Financial Corporation)
4. TSX:PZA (Pizza Pizza Royalty Corp.)

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