



Why Every Investor Needs to Start Building a Passive-Income Empire Today

Description

I'm not exaggerating when I say passive income has changed my life. Getting paid for doing nothing is easily one of the most powerful concepts I've ever come across.

You start to see the impact almost immediately, even if the original investments are small. \$20 per month in passive income is enough for a couple of lunches out. \$50 per month can cover a cheap cell phone or internet bill. \$200 per month might be enough to pay your property taxes. \$500 per month is likely enough to cover all your utilities.

Then we start getting into the big bucks. The ultimate dream for many is to earn enough passive income so work becomes optional. These folks know what it's like to be truly free. There are few better feelings than knowing you can afford to quit your job whenever you'd like.

The why is the easy part. The reasons you should pursue passive income are obvious. The question most get stuck on is the how. What steps do you need to take to start collecting passive income? What investments should you choose for maximum payout stability?

Let's take a closer look at two paths you can take to begin building your own passive-income empire today.

The lazy way

Being lazy often gets people in trouble in other aspects of their life, but it's a perfectly acceptable investment strategy.

The lazy way to start collecting passive income is to buy a dividend exchange-traded fund (ETF) which offers instant diversification while focusing on stocks that pay dividends.

My favourite dividend ETF is the **BMO Canadian Dividend ETF** ([TSX:ZDV](#)), which offers a diverse portfolio, an attractive yield, and a low management expense ratio. What more could a dividend investor want?

Let's start with the portfolio. The fund owns 50 different Canadian stocks, most of which are considered solid blue chips. It has exposure to virtually every sector — precious metals is the notable exception, which makes sense because that sector isn't known for paying dividends in the first place. Top holdings include Canada's largest banks, our telecoms, and pipelines.

The fund pays out \$0.065 per share each month, which works out to a 4.7% yield currently. Shares have performed relatively well over the last five years, with a \$10,000 investment now worth a little more than \$12,000 on capital gains alone. You would have done much better if dividends were reinvested the whole time.

And to top it all off, investors are getting all this for a low 0.35% fee. Sure, there are ETFs with lower fees out there, but very few that combine a focus on dividends with a reasonable management fee.

Choose your own stocks

I'm a firm believer in even inexperienced investors choosing their own portfolios. It's a big mental challenge.

The practice doesn't have to be complicated. Figure out what companies are Canada's finest and start putting your cash to work in them.

RioCan Real Estate Investment Trust ([TSX:REI.UN](#)) is widely regarded as one of Canada's finest retail landlords, and you won't hear any argument of this fact by me. The company's portfolio is nearly 300 properties covering some 40 million square feet of gross leasable space, focused on Canada's largest cities. The odds are good most people reading this regularly shop at one of RioCan's many locations.

I view the existing portfolio as the bedrock of a RioCan investment, with the company's ambitious growth projects as the force that will drive the share price upwards. Over the next decade, the company plans to redevelop dozens of its existing retail properties, adding more space, renovating the interior, or creating whole new mixed-use facilities, most with shopping on the bottom levels and apartments above.

While investors wait for this plan to materialize, investors get to collect a generous 5.6% dividend — a payout that may be hiked in the near future.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

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1. TSX:REI.UN (RioCan Real Estate Investment Trust)
2. TSX:ZDV (BMO Canadian Dividend ETF)

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