



## 3 Quality Stocks That Can Make \$300 of Passive Income a Month

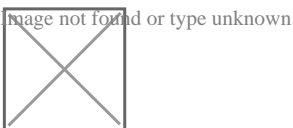
### Description

When building a [passive income stream from dividend stocks](#), there are two key things to keep in mind: the safety of the principal and the safety of the dividends.

### How to keep your principal safe

You should aim to buy shares of proven businesses when they're undervalued — and if you do, you're in luck! Currently, **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)), **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)), and **Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)) are proven businesses that are all trading at modest discounts from their fair valuations.

According to the 12-month mean price targets from **Thomson Reuters**, the dividend stocks have about 10% near-term upside potential. This indicates the stocks are modestly undervalued.



### What makes a stock's dividend safe?

Looking for proven businesses that tend to increase their profitability and dividends is a good start. The businesses should also have strong balance sheets and sustainable payout ratios.

Scotiabank, Brookfield Infrastructure, and Pembina are awarded S&P credit ratings of A+, BBB+, and BBB, respectively, which are all better than the minimum investment-grade rating of BBB-.

Scotiabank's payout ratio is estimated to be about 50% this year. Brookfield Infrastructure's funds-from-operations payout ratio is estimated to be about 60% this year. And Pembina's payout ratio is estimated to be about 50% of operating cash flow. Compared to their respective industries, all their payout ratios look fine.

## How to make \$300 of passive income per month

The average dividend yield across the three stocks is 4.85%. In order to go get \$300 of passive income per month (or \$3,600 per year), investors need to invest \$74,227 evenly across the three stocks and incur any trading fees that come with the three trades. That's an investment of \$24,743 in each of the stocks.

Scotiabank trades at \$71.45 per share at writing. An investment of \$24,743 would imply buying about 346 shares. Brookfield Infrastructure trades at \$56.50 per unit as of writing. An investment of \$24,743 would imply buying about 438 units. Pembina trades at \$48.91 as of writing. An investment of \$24,743 would mean buying about 506 shares.

## Foolish takeaway

By holding a diversified basket of dividend stocks that have a track record of paying safe dividends, investors can pretty much guarantee to earn a growing passive income stream.

Investors can start off investing \$74,227 evenly across the stocks of Scotiabank, Brookfield Infrastructure, and Pembina Pipeline to get an initial amount of \$300 per month.

That's a big lump sum to invest at one time. The important thing is to start investing for a passive income stream. You might start with earning \$100 or even \$10 a month. If you keep building that passive income stream, before you know it, it'll become \$300 a month or even \$3,000 a month.

Remember that these quality dividend stocks tend to increase their dividends. You can count on them increasing their dividends by at least 5% per year. That'll also help you [boost your passive income](#) on top of any new money you invest for dividends.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Stocks for Beginners

### TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:PBA (Pembina Pipeline Corporation)
4. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)

5. TSX:BNS (Bank Of Nova Scotia)
6. TSX:PPL (Pembina Pipeline Corporation)

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## **Date**

2025/09/08

## **Date Created**

2019/05/20

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