



## How to Make \$30,000 of Passive Income a Year

### Description

[Dividend investing](#) is the perfect way to generate passive income. Simply buy quality dividend stocks when they're cheap and get a boosted dividend yield and lucrative price appreciation.

When the stocks trade at fair valuations, you can choose to sell them to rotate into better-value names or hold them as a part of your diversified passive-income portfolio.

Right now, **Manulife Financial** ([TSX:MFC](#))([NYSE:MFC](#)) trades at a steep discount to its fair valuation. At \$23.70 per share as of writing, it trades at a price-to-earnings ratio of about 8.4 and offers an initial yield of 4.2%.

Since recovering from the last financial crisis, the insurance giant has increased its earnings per share (EPS) at a remarkable pace. Its EPS growth averaged 16% per year from 2012 to 2018, while the dividend-per-share growth averaged a much more conservative rate of 9.8% per year.

In 2018, Manulife generated revenue of \$37.4 billion and net income of \$4.7 billion with a healthy net margin of more than 12%.

MFC's payout ratio is estimated to be about 34% this year, while its EPS growth is estimated to be about 10% per year over the next three to five years. So, there's a great margin of safety for its dividend as well as room for dividend increases.

The company also has a healthy balance sheet; it's awarded an S&P credit rating of A and has a reasonable debt/cap ratio of 21%.



## How to make \$30,000 of passive income a year

If you want to make \$30,000 of passive income from MFC stock, you'll need to buy \$710,900 worth of shares. That's way too concentrated in one stock. Furthermore, if you diversify into other, higher-yield dividend stocks, you can lower the amount that you need to invest for \$30,000 of passive income.

Some of the best places to shop for safe dividend income are the Canadian bank stocks, utilities, real estate investment trusts (REITs), and energy infrastructure stocks.

Currently, **Bank of Nova Scotia**, **Brookfield Infrastructure**, **RioCan REIT**, and [Enbridge](#), from each of those industries, offer yields that are between 4.7% and 6.3%. Combined with Manulife, the group has an average yield of 5.11% as of writing. A total investment of about \$587,084 (or roughly \$117,417 in each stock) is needed to generate \$30,000 of passive income.

## Foolish takeaway

Rome wasn't built in one day. Similarly, it takes time to build a portfolio that will generate \$30,000 of passive income per year. Start with one quality dividend stock at a time and aim for, say, \$500 of income per year initially. If you do it right, your passive income will only increase every year (with dividend growth and the new investments you'll make every year).

Right now, Manulife offers the best value of all the stocks mentioned.

### CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

### TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)

## **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

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### **Author**

kayng

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