1 Simple Way to Make $2,000 of Passive Income a Year

Description

If you've been investing for a while, you're likely already well aware of the beauty of dividend stocks. These stocks provide investors with passive income no matter how the stock performs. Buying up these stocks while they're at a discount and holding them until you're absolutely ready to sell means you can be looking at decades of share growth, while still supplementing your income with these stocks.

Right now, once such stock worth watching is **Canadian Tire** (TSX:CTC.A). That's right; Canada's go-to retail company is looking seriously attractive right now, trading well below its net asset value (NAV) of around $150 a share, with the price at $141.50 as of writing.

What makes the stock even more compelling is its 2.95% dividend yield, giving investors $4.15 per share annually, or $1.0375 per quarter. So, let's look at why Canadian Tire should not only be your go-to retailer but your go-to dividend stock too.

Long-term growth

Since its initial public offering (IPO), Canadian Tire has been on a steady upward trend if we look at the retailer's share price. With only a few drops that have coincided with market downturns, the stock has rebounded relatively quickly, which should make buy-and-hold investors very happy.

One of those dips came recently with analysts worrying that the company's growth might start to slow down. This mainly comes from the rise of e-commerce stores edging in on its market coupled with the slump in fuel prices. But Canadian Tire doesn't seem to be hurting, with same-store sales rising 6.1% in the most recent quarter and revenue rising by 2.8%.

Dividend growth

Of course, it's all well and good to think a stock is good for now, but what about the future? Is this stock's incredible dividend safe should e-commerce companies continue to edge in on its business?

Canadian Tire has a long history of dividend growth, but if we look at just the last five years, the company has delivered an incredible 137% dividend growth to shareholders.

It's important to note that Canadian Tire stores aren't the only ones the company operates. SportChek and Mark's are also under the Canadian Tire banner as well as recently added Helly Hansen. The company is expanding beyond its own retail stores. And, of course, it's not like you can only go to Canadian Tire's brick-mortar-stores to receive its products, many of which you can only find at Canadian Tire. The company has a growing online presence that will help battle the world of e-commerce.

Finally, Canadian Tire is also in the fuel business, with gas chains across the company, as well as a real estate investment trust that takes advantage of its Canadian Tire locations by buying up residences nearby to charge higher rents. All of this keeps its bottom line growing and the dividend quite safe.

How to get that $2,000

If you're going to get $2,000 out of Canadian Tire at today's prices, investors would need to purchase 482 shares for a total cost of $68,203. However, if that's all you're going to have in your portfolio, it's important to diversify and not put all your eggs in one basket.

So, why not make an even higher dividend portfolio and choose other passive-income stocks to supplement this one? There are plenty of options, providing you with a portfolio that will see passive income generated for decades to come.

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