Millennials: 3 Easy Ways to Start Building Your Passive Income Empire… Today!

Description

Passive income has the ability to be life-changing.

The best part is the journey. It starts small, maybe just $50 or $100 per month. Then it slowly snowballs, gaining momentum as the pile gets bigger. After a few years you're looking at a few hundred dollars per month, then a thousand.

Finally, after decades of work, the results really start to show. You're sitting on thousands of dollars per month in passive income, and work becomes optional. That's the good stuff right there.

That dream is closer than you think. With aggressive saving and maximizing your income today, you could get there in as little as 15 or 20 years.

Here are three strategies to get to that elusive goal.

Real estate

Many investors use real estate to generate passive income. Buying a condo or two has numerous advantages including the ability to easily leverage borrowed money, adding value by sniffing out bargains, and being an easy to understand business.

But keep in mind there are some disadvantages, too. Stacking borrowed money on a small down payment comes with risks. A small decline in the overall market could wipe out years of equity. And it can be difficult to get started, especially if you're already struggling with a big mortgage on your principal residence.

Finally, yields are not great, especially in many major centres. By the time you pay your expenses, a Toronto-area condo probably won't generate much cash flow. You might have to take your money to other markets, which then comes with its own set of unique challenges.

Dividend growth

Putting your cash to work in a dividend growth strategy will result in less passive income today, but greater potential for tomorrow.

The strategy is relatively simple. Investors search for stocks with a demonstrated history of growing the bottom line that also pay a reasonable dividend. They then sit back, relax, and watch those dividends get larger over time. There are dozens of these stocks in Canada.

One I personally own is **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS), Canada's third-largest bank. Besides having a secure market share here in Canada, Scotiabank is delivering some serious growth from its international operations, which include assets in nations like Colombia, Chile, Peru, and Mexico. The international division accounts for about a third of total company earnings.

I like the Latin American focus for a few reasons. These nations are experiencing nice economic growth, which is lifting millions out of poverty. These people need banking services for the first time. Interest rates are also higher, which leads to better net interest margins. And these nations have more fragmented banking systems, giving Scotiabank the opportunity to consolidate its position in these markets.

The company has raised its dividend each year since 2010. It also increased the payout each year from 1991 to 2009. Shares currently yield 4.8%.

High yield

The easiest way to maximize your passive income potential is to find stocks with the highest yield. There's just one problem. High yields are risky, and could very well be cut.

The good news is there are many stocks that pay sustainable 7%–10% yields, and diversifying your portfolio can help reduce the risk of a dividend cut.

One big dividend stock I own in my own portfolio is **Slate Retail REIT** (TSX:SRT.UN), which owns grocery-anchored real estate in the U.S. Slate focuses on more medium-sized cities, locations it likes because there's less competition for buyers. The focus on grocery stores also protects these assets from online retailers.

The company has grown aggressively since its 2015 IPO, and management seems like it is positioning the company for another growth spurt by selling some non-core assets. This has translated into dividend growth, which is relatively rare for a high-yield REIT. Shares currently yield 8.7%.

Investors don't have to worry about the payout being slashed. The payout ratio is sound, checking in at under 90% of adjusted funds from operations in the latest quarter. The company has completed several key development projects, which should boost the bottom line, too.

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nelsonpsmith