



This 3-Step Plan Will Take You From \$0 to \$1,000/Month in Passive Income... Today

Description

Who couldn't use a little extra passive income?

There's a reason why millions of Canadians are searching for sustainable sources of rent, dividends, and interest. These cash flows have the ability to change your life. An extra few hundred dollars per month can take care of some key expenses, freeing up more cash to invest. This creates more passive income, starting a powerful wealth-building tsunami.

The hardest part is getting started. Seeing small amounts trickle into your account is empowering at first, but then reality sets in. Building a meaningful passive income stream from scratch is hard.

Fortunately, you can streamline the process, but that adds a certain amount of risk. Here's how you can immediately go from \$0 to \$1,000 per month in [passive income](#).

Step 1 – set up for success

Creating passive income from scratch means you'll need to borrow the capital to get started. For most Canadians without a rich uncle that'll mean borrowing against your house.

There are millions of Canadians with significant equity in their properties. After all, the average price of a detached home in both Toronto and Vancouver is well north of \$1 million. And real estate isn't cheap in other more affordable cities, either.

Banks will typically allow a homeowner to borrow up to 80% of the value of their property, meaning someone who owns the average Canadian home – which is valued at around \$500,000 – can borrow up to \$400,000 against the value of the property using a combination of a mortgage and a home equity line of credit (HELOC).

Using a HELOC is recommended because it's a more flexible product than a regular mortgage. Typically the minimum payment is just the monthly interest owed on the balance on the loan.

Step 2 – Now borrow again

Say you've extracted \$100,000 in home equity. To create a \$1,000/month passive income stream, you'd need to earn 12% per year. That's virtually impossible. Even 8% per year is a bit of a stretch if you're looking for [sustainable dividends](#).

The next step is to use your \$100,000 initial investment and leverage it again, this time using margin debt.

Now before we get much further, let me emphasize that adding debt on top of debt is a risky way to invest. If markets fall by 30% overnight then you won't be happy with this decision. On the other hand, rising markets will make this seem like a very smart thing to do.

Adding an additional \$50,000 to your \$100,000 initial investment brings up the total investment to \$150,000. This relatively small margin amount keeps the risk of a margin call minimal. Remember to shop around and find a broker with low margin interest rates in the 3%–4% range.

Step 3 – build a diverse portfolio

You'll need an average yield of 8% to generate \$1,000/month from a \$150,000 investment. I'd also recommend a diverse portfolio to minimize the impact of any individual dividend cuts.

One stock I own that pays a sustainable 8% yield is **Fiera Capital** ([TSX:FSZ](#)), a Montreal-based wealth manager that has quietly become one of the largest in the sector today in Canada. Fiera manages capital for pension plans, other institutional investors, and for retail mutual funds.

Fiera has been a growth-by-acquisition story over the last few years, as it does its best to single-handedly consolidate the fragmented North American wealth manager sector. Assets under management have grown from \$29 billion in 2011 to \$150 billion as of June, 2019. The company is now the third-largest independent wealth manager in Canada.

Another thing I like about Fiera is the high level of insider ownership. Employees and management own 19% of outstanding shares, a level of commitment that is rare outside of family-owned companies. CEO Jean-Guy Desjardins owns more than 10 million shares, and board member Jean Monty owns nearly 3 million shares.

Fiera's dividend is \$0.84 per share annually, while analysts project earnings in 2019 to come in at \$1.28 per share. That gives us a payout ratio of just 66%. That's quite low for a stock with such a high yield.

The bottom line

You'll need to come up with a serious amount of money in a hurry to jump from \$0 to \$1,000/month in

passive income, but the journey is not impossible. A diverse portfolio and paying down debt as quickly as possible will help the plan succeed, too. What will you do with your sudden windfall of passive income?

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FSZ (Fiera Capital Corporation)

PARTNER-FEEDS

1. Business Insider
2. Msn
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Date

2025/09/10

Date Created

2019/10/23

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