



How to Make \$300 a Month in Passive Income

Description

If you've been working for a number of years and have a habit of saving a portion of your paycheque, it makes good sense to have your hard-earned money working hard for you.

To make \$300 a month, or \$3,600 per year, in passive income on a 6% yield, you'd need \$60,000 of investments. You'll be happy to know that **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) currently offers a greater yield than what's needed — specifically, a yield of 6.17% as of writing.

So, to get \$3,600 annually from Enbridge stock, you only need to invest about \$58,350 for 1,220 shares. This amount is less than the maximum cumulative [Tax Free Savings Account](#) (TFSA) contribution room of \$63,500 for investors who have never contributed to their TFSAs.

Enbridge is an energy infrastructure company you can count on. It's the largest in North America, transporting a quarter of the continent's crude oil and 20% of the land's natural gas. Additionally, it distributes natural gas in Ontario and has renewable power assets on the east side of North America.

Dividend

Enbridge has long-term contracts that make its cash flow highly stable and predictable. The culture of paying dividends is ingrained in Enbridge's DNA, as it has paid dividends for more than 60 years and increased its dividend for over 20 years!

Management understands that the rising dividend helps keep long-term investors in the stock, which helps stabilize the stock price. Enbridge's payout ratio remains sustainable at roughly 65% of its distributable cash flow.

Balance sheet

Enbridge has successfully cleaned up the balance sheet since the humongous merger with Spectra Energy in February 2017. Its debt-to-EBITDA ratio has reduced from more than 5.5 times to about 4.6

times, which is at the low end of its target range of 4.5 to 5.0 times.

It paid back some debt thanks to sales of non-core assets and the company's stable cash flow generation. The blue-chip company is awarded an S&P credit rating of BBB+, which is two notches higher than the investment-grade rating of BBB-.

Investor takeaway

Enbridge is a good-valued stock with incredible long-term growth potential, which offers juicy passive income to its shareholders. It trades at about 8.4 times cash flow, which is a discount from the long-term normal multiple of about 10.3.

A near-term catalyst for price appreciation is the commissioning of the Canadian portion of the Line 3 replacement project set for this quarter.

Although Enbridge is a wonderful business to own to collect passive income from, don't stop at one dividend stock. Build a diversified portfolio of dividend stocks to ensure to generate a [perpetual river of passive income](#)!

Stay hungry. Stay Foolish.

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Author

kayng

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