



How to Earn \$110 in Passive Income Using Just \$1,000 in Capital

Description

Want to earn \$110 in extra income every year for the rest of your life? All you need is \$1,000. This opportunity is scalable too. If you invest \$10,000, you'll earn \$1,100 in annual income. With a \$1,000,000, you'd be sitting pretty with a permanent \$110,000 [passive income](#) each year.

All you need to do is invest in one stock: **Chemtrade Logistics Income Fund** ([TSX:CHE.UN](#)).

A history of success

Chemtrade has been in business for nearly two decades. Over that time, it's proven a consistent ability to turn a profit and deliver a market-leading dividend. Since 2001, the stock has only gained \$0.50 in value, good for a 5% return. But that's only counting capital gains.

Since its founding, Chemtrade has also reliably paid a dividend, which currently stands at 11.1%. It's never missed a payment, and the current dividend level has been in place since 2007.

This dividend is seriously solid. Even during the great recession of 2008, the payout never wavered. Even when the dividend yield reached 20% in February of 2009, the cash distributions continued at the same rate. Over the years, the dividend has occasionally been called into question, but Chemtrade has a decade-plus history of sustaining its impressive payout.

Sticking with it

As always, some investors remain skeptical of the 11.1% yield, but they usually misunderstand how the business is structured.

Chemtrade is a distributor of industrial chemical products like sulphuric acid and polyaluminumchloride. These specialty chemicals usually enable mission-critical processes for a range of industries. Due to its scale, Chemtrade is often the lowest-cost provider, giving it a reliable ability to attract and retain customers.

Most importantly, its product portfolio is diverse enough to offset swings in any one chemical. If pricing weakens for ferric chloride, for example, it may rise for sodium nitrite. These offsetting fluctuations occur all the time, validating Chemtrade's diverse approach.

Every now and then, however, the fluctuations line up. This happened earlier this year, causing the stock price to be cut by one-third. Historically, these events have been reliable buying opportunities. Management seems to think it's a market over-reaction yet again, and has reiterated that the dividend is safe.

"So is the 10% dividend yield in our view rich?" CEO Mark Davis rhetorically asked on a recent conference call. "We think actually hopefully that yield will come down as our share price recovers, but we have no current inclination to actually reduce the distribution despite the 10% yield."

Choose a TFSA

By investing \$1,000 in Chemtrade stock, you'll receive monthly cash payments that total \$110 per year. If you invest using a TFSA, you'll receive those dividends tax-free. You can reinvest the cash back into more stock to boost your income even further, or you can withdraw the cash to support your life expenses. In either situation, a TFSA ensures you get 100% of that income, with 0% being diverted to the tax man.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CHE.UN (Chemtrade Logistics Income Fund)

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rvanzo

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