



## Investors: 3 Reasons You Need to Start Building a Passive-Income Empire Today

### Description

I'm not exaggerating when I say passive income changed my life. And it has the potential to change yours, too.

It doesn't matter what asset you buy, whether it's [real estate](#), dividend-paying stocks, or something else entirely, the important thing is to do it. Once you get started and add regularly to your savings, you'll be constantly amazed at how fast it all adds up.

Here are three reasons why you'll never want to live a life without [passive income](#) ever again and one easy way to start building your own passive-income empire.

### Making money while you sleep

There is something incredibly liberating about making money while we eat, sleep, or spend time with our families.

I remember my teachers telling me that getting an education and pursuing knowledge work would be the ticket to my long-term success. And they were right; sitting in a comfortable chair in a heated office sure beats working outside in the Canadian winter. But at the end of the day, knowledge work is still work. Passive income is truly passive.

### Security

Having a solid portfolio that spins off cash each month can really create a sense of security. Suddenly, risks like a job loss or sudden financial emergency don't seem so bad.

Think about a situation where you suddenly get a toxic boss at work — something that happened to a friend of mine. She was fortunate to get a transfer to a different department, but not before she was forced to endure months of stress. With a steady stream of passive income behind her, my friend would likely have felt much more comfortable presenting an ultimatum to management before spending

months as a jumble of worry.

## The compounding effect

When you're still accumulating assets for a retirement that seems far off, you might think it makes more sense to focus on capital gains.

While there's nothing particularly wrong with that strategy, a dividend-centric approach has certain advantages too. One big benefit is passive income generates a steady flow of cash that can be put back to work in new opportunities. This is especially useful in a down market — a time when you don't really want to sell any of your existing beaten-up stocks.

## One great passive-income choice

If you're new to investing, then perhaps the best choice isn't an individual stock, but an exchange-traded fund (ETF), which is a collection of similar stocks that can easily be bought and sold on the stock exchange.

One of my favourite income-focused ETFs is the **BMO Canadian Dividend ETF** ([TSX:ZDV](#)), which allows investors to own a bunch of Canada's best dividend payers all in one easy package. It owns companies like our top banks, telecoms, and pipelines. In other words, it's stuffed with the best of the best, and the portfolio diversification ensures you'll never have to deal with a dreaded dividend cut.

In fact, most of the companies that make up this ETF slowly raise their distributions over time, which means your passive income should also creep higher over the long term.

This ETF also offers a reasonable size, good liquidity, and, perhaps best of all, a low management fee. The maximum annual management fee is just 0.35% of assets, or \$3.50 for every \$1,000 invested. Compare that to a mutual fund at a 2% annual fee, which works out to \$20 per \$1,000.

The BMO Dividend ETF pays a predictable monthly dividend — a payout that currently stands at \$0.065 per share each month. That's a 4.2% yield. But the fund also pays an extra distribution at the end of the year. Last year's payout was an extra \$0.06 per share, which bumped the total payout to \$0.82 per share. Look for a similar payment coming at the end of 2019, too.

## The bottom line

Passive income is a wonderful thing, and I'm convinced you'll find it as addictive as I do.

Don't worry if you don't have much experience investing, either. Stick to solid ETF choices like the BMO Canadian Dividend ETF and watch your passive income accumulate without the stress of analyzing balance sheets or income statements of individual companies.

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1. Dividend Stocks
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1. TSX:ZDV (BMO Canadian Dividend ETF)

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