



## Passive Income: How to Make \$22 Per Day in 2020

### Description

The average hourly wage in Canada is \$18. So, generating \$22 in passive income every day is like adding more than an extra hour of salary without the additional work. That passive income tends to steadily expand over time to a point where you can simply retire and never have to work again.

Here are three ways you can get started with as little as \$100,000 in capital.

### Rental property

Collecting rents from real estate investments is the most common form of passive income, simply because it's so easy and accessible for the average investor. A \$100,000 down payment should allow you to access a \$400,000 mortgage and purchase a \$500,000 property. With a rental yield of about 4%, you can expect to generate \$55 in gross rents everyday.

Even after you account for mortgage interest, repairs, maintenance and taxes, your net income should be around \$22 per day, depending on where your property is located.

However, buying and managing a house isn't entirely passive, which is why I prefer publicly listed real estate investment trusts (REITs) or high-yield dividend stocks instead.

### High dividends

By investing in REITs and dividend stocks, you obviously forego the power of leverage you would have had on a rental property. However, the yield on these investments is usually much higher, and there's nearly no work involved, making the income truly passive.

**Inovalis REIT**, for example, offers a dividend yield of 7.7%. On a \$100,000 investment, that could mean \$21 in daily passive income. Meanwhile, high-yield dividend stocks like **Inter Pipeline** and **Alaris Royalty** offer dividend yields in excess of 8% if you buy them at the right price.

If you're skeptical about investing in REITs or companies that you've never heard of before, that's perfectly understandable. Higher dividend yields can sometimes

[mask underlying risks](#) that you may not like exposure to. In that case, there is another strategy to generate passive income.

## Blue-chip dividends and systematic withdrawals

Well-known and rock-solid mega-corporations like **BCE** and **CIBC** also offer lucrative dividend yields. BCE, for example, offers a 5.2% dividend yield at the moment, while CIBC offers 5.3%.

But on a \$100,000 investment, a 5.3% dividend yield only amounts to \$14.5 in daily passive income. To enhance this income, you may need to offload and withdraw your initial investment.

According to personal financial experts, a 4% annual withdrawal rate is usually sustainable, because the stock market tends to appreciate at an average annual rate higher than that. This means you can safely sell \$4,000 worth of stocks every year from your \$100,000 portfolio, pay yourself a daily passive income of \$11, and never run out of money.

Combine this systematic withdrawal and annual dividends from blue-chip companies, and your daily passive income could be as high as \$25 a day.

## Bottom line

I truly believe that anyone can generate a modest passive income, perhaps \$22 a day, right away with the right strategy. While most investors prefer rental properties, I prefer REITs and high dividend stocks to create my financial independence.

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**Date**

2025/07/27

**Date Created**

2020/01/08

**Author**

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