Passive Income: How to Generate $165 a Week Without Working

### Description

Work is how the majority of us earn a living. Spending time and effort to create something of value is how most of us get by. In fact, I'm about to spend a few hours writing this article so that I get paid for it at the end.

However, a portion of what I earn goes towards building a future where I never need to work again. I'm actively trying to create a few streams of passive income that can match my monthly expenses and leave me enough time and energy to focus on my loved ones and my passion projects.



Taking the time and effort out of the money-making process is certainly possible – I've seen plenty of people achieve it – but it requires another key element: capital.

## How much capital?

Of course, passive income and early retirement is nearly guaranteed if you can accumulate six or seven figures. In fact, a 4% yield on a million dollars is $40,000, which is enough to cover food and rent for most investors.

However, I believe investors can create a passive stream of income for much less, perhaps even $100,000. According to Statistics Canada, the median Canadian household is worth $295,000, while the median young person (aged 25 to 34) has a net worth of roughly $70,600, so investing $100,000 seems within reach for regular people.

Here are two ways I would deploy $100,000 of capital to generate nearly $165 a week in passive income.

## Real estate investment trusts

Buying and renting out real estate is a particularly lucrative endeavor, especially with the attractive interest rates on mortgages at the moment. However, I have no desire to be a landlord. Managing a property and finding tenants isn't my definition of 'passive'.

Instead, I prefer publicly listed real estate investment trusts (REITs). These trusts trade on the stock exchange like regular companies, but offer much higher dividends. Take Toronto-based **Slate Retail REIT**, for example. The trust owns 79 retail locations across the United States. Rents from these properties is enough to allow the team to offer a 8.6% dividend yield.

On $100,000, 8.6% in dividends implies $716 a month in passive income, or $165 a week.

## Index investing + systematic withdrawals

Betting on real estate isn't for everyone. A downturn in the real estate sector could impact the stock price of REITs or their underlying dividends. If you're risk-averse, an index fund may be a better option.

The **iShares S&P/TSX 60 Index fund**, for example, tracks the performance of the country's top 60 stocks. This diversification limits risk (because all 60 won't collapse together). The dividend yield on this index is 2.8% at the moment. Combine that with a 4.2% withdrawal every year and you can extract a 7% yield without eroding your wealth over time.



A 4.2% annual withdrawal should be covered by capital appreciation in the stock market over time. However, if you're willing to withdraw more you may be able to generate a passive yield of 8% or even 9% every year, matching the REIT I mentioned earlier.

## Foolish takeaway

Admittedly, $165 a week isn't enough to retire on. However, it should cover some substantial weekly expenses such as groceries for an entire family or utilities for a small condo in Toronto. In my opinion, that's a major step toward the low-risk, no-work future I hope to create soon.

I prefer passive real estate, but for most investors in an index fund with systematic withdrawals should be sufficient.

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**Date**
2025/07/27
**Date Created**
2020/01/22
**Author**
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