



Passive Income: Learn How to Make \$20 per Day the Simple Way in 2020

Description

One of the best ways you can put your savings to use is by using them to create a passive income stream. The amount you have to invest, your passive income generation strategy, and your tolerance for risk can all be factors in deciding how much passive income you make.

In this article, I'll show three possible ways to generate a daily passive income of \$20 working with a sum of \$100,000.

High-yield dividend stocks

One of the most straightforward ways to generate passive income is investing in high-yield dividend stocks. Some of the highest dividend-paying companies are REITs, but there are others as well.

Alaris Royalty is [currently offering](#) a juicy yield of 7.5%. This will earn you over \$20 a day, and about \$625 a month.

This is a decent enough sum to take some of the burden off your primary income, or help you with any extra expenses that might crop up. But many investors believe that such yields aren't sustainable. In that case, you might want to pick up another option too.

Dividend aristocrats

Dividend aristocrats are usually the safest bet when it comes to dependable passive income, though very few of them offer ridiculously high yields. So if you still want your daily passive income to be around or above \$20, you have to use another strategy. And that's the combination of dividend income and systematically selling your shares.

Take **Canadian Utilities** ([TSX:CU](#)), for example. The company is one of the oldest dividend aristocrats on the TSX, with a history of increasing dividends for 47 consecutive years. Currently, the company is offering a yield of 4.35%, which will get you about \$12 a day in passive income.

But if you want to boost it to \$20, you have to sell a set amount of shares every year. But wouldn't that affect your income stream through dividends? Let's find out.

Currently, CU is trading at \$40.3 per share. So your \$100,000 will get you over 2480 shares. At the end of the year, you will have a sum of \$4,350 through dividends (hopefully more because of the company's history of increasing dividends). You need an additional \$3,000 to get your \$20 a day passive income going. So all you have to do is sell \$3,000 worth of shares.

But won't it keep depleting your stake in the company? The answer to this is capital appreciation. The shares you bought won't stay the same in value. CU's 10-year compound annual growth returns are about 10%. Even if the company does half as well, the share prices will grow by about 5% a year, while you're only taking out 3% of your total initial investment. The growth will more than offset what you are taking out.

Growth stocks

You can choose the systematic selling of shares, without adding dividends into the equation. How well you do with this strategy depends on the stock you choose. One stock you might want to consider is **Air Canada**. [The company has been growing](#) like clockwork for the past seven years. Among the stock's three, five, and 10-year compound annual growth rates, the lowest number has been the five-year CAGR of 32.8%.

So if we go by that, your \$100,000 will be worth about \$132,000 by 2021. Even if you sold \$7,500 worth of shares to get your daily income of \$20, they would easily be covered by the next year.

Foolish takeaway

If you take a look at each of the methods, you might see that there is a lot of wiggle room. If you choose slightly riskier high-yielding stocks, a more aggressively growing dividend aristocrat, or an even faster-growing stock (like **Shopify**), you can increase your passive income substantially.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CU (Canadian Utilities Limited)

PARTNER-FEEDS

1. Business Insider
2. Msn
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