How to Make $150 a Week in Passive Income

Description

You'd be surprised how much money you can make while you sleep. All income investors have to do is sit on their bums and not pay too much attention to the mostly meaningless day-to-day fluctuations in share price to enjoy a peaceful (and profitable) sleep every night.

If you're one of many Canadians who've been making regular contributions to their TFSA while using the proceeds to systematically invest in stocks (and not bonds or cash equivalents!), your TFSA should be worth at least $100,000. And with a TFSA portfolio averaging a yield of 8%, you can make $8,000 per year, which works out to around $155 per week in passive income.

While it may seem like averaging a yield as high as 8% is just asking for a dividend (or distribution) reduction over the intermediate term, one must realize that there are many securities out there that have payouts that are more than sustainable. Heck, some super-high yielders are even subject to above-average growth!

Form a foundation with specialty income options!

Consider the fact that specialty income ETFs like **Bank of Montreal'**s line of covered call ETFs can provide higher yields while offering full diversification and lower volatility (perceived risk) relative to the broader markets.

Of course, betting on such covered call ETFs will come at the cost of growth, as upside is capped. The introduction of "upside risks" and slightly richer management expense ratios (MERs) make specialty income ETFs less suitable for younger long-term investors given the markets, on average, tend to rise over extended periods of time.

For those looking to hedge their bets, mitigate risks, or sustainably boost their income, BMO's covered call ETFs are well worth the richer price of admission relative to its line of lower-cost index funds. **BMO Canadian High Dividend Covered Call ETF** (TSX:ZWC) typically sports a yield that hovers around the 7% mark. The ETF is comprised of long positions across blue-chip dividend stocks, REITs, and other high-yielding securities, alongside a call writing strategy that trades potential upside for option premium income upfront.

The marriage of dividends (and distributions) from the ETF's long constituents married with premium income results in a yield that's so high it would cause many to ponder the sustainability of the payout. ZWC has a distribution that's far safer than most other individual securities with yields that are a quarter of its size!

One-stop-shop options like BMO's ETFs are a great way to give your TFSA income stream a solid foundation, so you're not constantly worrying about the possibility of dividend cuts, given most of the constituents of BMO's ETFs are screened for premium characteristics, one of which includes dividend sustainability.

Getting over the 8% mark

For those looking to give themselves a further jolt to get their average yield above that 8% mark, there are super-high-yielding stocks, royalty funds, and REITs. The latter two possess more favourable capital return structures at the expense of growth and are recommended for prudent investors who want to minimize their risks on a falling knife with an accidentally high yield above the 8% mark.

That's not to say that royalty funds and REITs are immune from distribution reductions, though. Their capital return structure just makes distribution commitments a higher precedence over growth or turnaround initiatives.

In the world of royalty funds (**Pizza Pizza Royalty** with an 8.8% yield) and REITs (**Inovalis REIT** with a 7.6% yield), it's not uncommon to see outsized yields. While they are riskier than sub-6% yielders, their payouts, on average, are likely more sustainable than a comparable yield on common stocks.

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