



Passive Income Alert: How to Make \$20/Day in 2020

Description

I firmly believe passive income will change your life — I know it's certainly changed mine.

Although I don't use any of my [passive income](#) for living expenses — it's all reinvested into additional assets — it's still incredibly empowering knowing I have a growing source of income in case I need it.

I know I can count on this steady additional source of income no matter what happens in my life. It's a comforting insurance policy.

If you don't have any passive income, it can seem like a daunting task to get there. First you've got to save — something that involves a certain amount of sacrifice.

After that, you must choose investments that both offer income potential as well as a certain amount of protection. Getting paid to own something is little consolation if it keeps going down in value.

But the journey is worth it. There's no better feeling than knowing you're getting paid while you sleep.

Let's take a closer look at how you can position your savings today to ensure you start earning a passive income of \$20 per day by the end of 2020.

How much you'll need

Anyone serious about creating a passive income stream will likely focus on the high-yield part of the stock market. Don't let the naysayers fool you; it's very possible to build a portfolio of safe dividend payers today that will yield 6%.

While \$20 per day doesn't seem like a whole lot, over a year it's a fairly large amount of passive income. You'll need to earn \$7,300 annually for it to translate into \$20 each day. That's a hair over \$600 per month.

Assuming a 6% yield on your portfolio, you'll need to invest \$121,666 to generate that amount of

passive income. If you're looking to get there in a year, it would mean an investment of approximately \$10,000 per month. That's a substantial savings rate, something most Canadians can only dream of.

Fortunately, there's a way to speed up the process.

A more aggressive choice

Investors can speed up the passive income process by choosing stocks with a higher yield. Keep in mind, however, that these stocks are generally riskier.

It's also a poor idea to put all of your cash into one investment — or even one type of investment. After all, they say diversification is the only free lunch in finance.

One of my favourite high-yield Canadian stocks is **Slate Retail REIT** (TSX:SRT.UN), the owner of grocery-anchored real estate in the United States. The portfolio spans 79 locations and 10.5 million square feet of space.

Slate's strategy is to buy up property in what it deems to be secondary markets, cities like Charlotte, Atlanta, and Denver. These medium-sized cities offer plenty of opportunity to acquire assets, solid demographics, good population growth potential, and, perhaps most important, pretty attractive returns on investment.

While you likely won't light the world on fire buying grocery-anchored real estate, it should be enough to generate solid returns.

The company has been selling assets lately, which will help fortify the balance sheet as it prepares for another expansion push. Management is also disciplined with acquisitions, insisting on getting a good value for shareholders. I like that strategy.

Despite shares moving up close to 5% so far in 2020, the stock is still a decent value today. It trades at a low price-to-adjusted funds from operations ratio, and has only recently moved above its net asset value.

And finally, we can't forget the company's [succulent dividend](#). The current yield is 8.3%, a payout that's well covered by earnings. In fact, Slate's payout ratio is in the 70% range, lower than many REITs that offer lower yields.

In order to get \$20 per day in passive income from Slate Retail REIT, you'd need to invest a mere \$87,591. The quest becomes much easier if you can get that higher dividend.

The bottom line

Passive income is a fantastic goal, and solid stocks like Slate Retail REIT can help you get there.

If you can't save enough to get to \$20 per day in passive income by the end of 2020, don't despair. No matter what you save today, that cash will be working for you for the rest of your life.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:SGR.UN (Slate Retail REIT)

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