



Forget CERB: Build a \$2,000/Month Passive Income Stream That Lasts Forever

Description

The Canada Emergency Response Benefit (CERB) has been a welcome lifeline for millions of Canadians thrown out of work by COVID-19 and its impact on the economy. This program has helped many keep their homes and food on the table. It's almost universally hailed as a success.

Although the program is only temporary and it doesn't exactly match the classic definition of passive income, the effects are still the same. Folks are discovering how wonderful it is to have steady [income coming in](#) without doing work for it. It's inspiring them to try to build something similar, but they just don't know where to start.

This article will help. Here's how much money you'll need to create a \$2,000 per month passive income stream and a couple ideas for stocks that will help you get there.

Creating a passive income stream

I won't sugarcoat it. You'll need to save up a significant nest egg in order to create a sustainable \$2,000 per month passive income stream.

Some investors might be tempted to accelerate the process and put their cash into stocks that offer eye-popping [10%+ dividend yields](#). That's not a great strategy, since most double-digit yields are unsafe. You don't just have to worry about a dividend cut; the share price will often tank at the same time.

We'll look at two different scenarios. The first assumes a higher dividend yield of 6%. Such a portfolio should be able to offer sustainable dividends, but we're unlikely to get much growth.

At a 6% yield, you'll need \$400,000 to generate \$24,000 per year in passive income. That's achievable in just a few years if you're a super saver, but it's more likely you'll need a decade (or more) to pull this off.

In the second scenario we'll assume a 4% average dividend. This means you'll have to amass a nest

egg of \$600,000 to generate \$2,000 per month in passive income.

The good news about taking this approach is even though it'll take more in capital to generate the same amount of income, it'll be easy to build a portfolio that delivers consistent dividend gains every year. This will ensure your passive income stream isn't ravaged by inflation. This portfolio also won't have as much risk of a dividend cut.

How to get there

Let's take a closer look at two stocks that can help you achieve your passive income goals.

Let's start with a company with a lower yield but plenty of dividend growth potential. **Fortis** ([TSX:FTS](#)) is one of North America's largest utilities with 3.3 million electric and natural gas customers and \$57 billion in assets. Operations span Canada, the United States, and the Caribbean.

Although Fortis doesn't quite yield 4% today – the current payout is 3.8% – it has one of Canada's best dividend growth streaks. Fortis has hiked its dividend each year since 1973, a record surpassed by only one other publicly traded Canadian company. It has already told investors to expect 6% annual dividend raises for the next five years.

A stock with a slightly higher yield is **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)), Canada's largest telecom company. BCE offers wireless, internet, and cable television services to millions of Canadians. It also has some interesting other assets like a fleet of The Source stores, ownership stakes in various sports franchises, and digital video streaming service Crave.

BCE is a mature company, but it still has some growth potential. It can take market share away from competitors, and it can increase prices to existing customers. These efforts should translate into some dividend growth from this 6.1% yielder, which is always a bonus when getting such a generous payout.

The bottom line

It'll take \$500,000 at a 5% yield to generate a passive income stream of \$2,000 per month. That's all you'll need to have your own permanent CERB.

Remember, the next recession might not be as generous as this one. You might find yourself jobless with nowhere to turn. That's when a passive income stream like this one can really make all the difference.

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