



## \$5,000 Passive Income: Just Buy Enbridge (TSX:ENB) Stock

### Description

Want to generate \$5,000 in passive income? The math is easy if you buy **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) stock.

Enbridge is one of the greatest dividend stocks in Canadian history. These companies generate more cash than they're able to reinvest. Instead of keeping the excess money in a bank account, [dividend](#) stocks pay the cash directly to shareholders on a monthly or quarterly basis.

With billions in annual cash flow, Enbridge is able to pay a dividend that totals 7.5%. For every \$100 that you invest, you'll receive \$7.50 in annual passive income. That may not seem like a lot, but there are ways to make the [math](#) work for you.

Through diligent saving, it's possible to generate annual dividends of \$5,000 or more, all without needing to lift a finger.

### Enbridge stock is special

If you open a bank account, you'll be lucky to get 1% in annual interest. How then is Enbridge able to offer an annual dividend equal to 7.5%?

The first factor, of course, is risk. Bank accounts are regulated and typically insured. Your 1% interest rate is pretty close to guaranteed. Stocks, however, fluctuate in value. So do dividend rates. While Enbridge has raised its dividend every year for decades, it's possible that the company cuts the payout sometime in the future. Nothing is guaranteed here.

Enbridge stock is riskier than a bank account, but that doesn't mean it isn't a reliable way to generate passive income. That's because the company's business model is specifically designed to create high dividends through consistent cash flow generation.

Enbridge is involved in the transportation business, but it doesn't own cars or trucks. Instead, it operates pipeline infrastructure that ships fossil fuels from the point of production to refineries and end

users. The company is the largest pipeline owner in North America.

Because pipeline capacity is limited, Enbridge enjoys high pricing power. It sometimes asks customers to commit to decade-long contracts. And rates are almost always based on volumes, not commodity prices, insulating the company from market gyrations.

As long as fossil fuel producers continue to pump, Enbridge will profit. North American production is expected to gradually rise through 2030, making Enbridge's 7.5% dividend a solid bet to stake your passive-income stream on.

## Earn your passive income

As the old saying goes, it takes money to make money. Earning a 7.5% dividend is great, but your cash earnings are a function of how much you have invested.

To earn \$5,000 in annual passive income, you need to invest roughly \$66,000 into Enbridge stock. That may seem like a princely sum, but it's within reach through consistent contributions.

Let's say you invest \$100 per month and reinvest your 7.5% dividends. It'll take you 22 years to reach the \$66,000 mark. That's a long time, but if the dividend remains intact, you'll receive a \$5,000 annual passive income for the rest of your life.

Want to go faster? The only method is to up your contributions. If you invest \$250 per month, for example, it will only take you 13 years to reach \$66,000. For decades afterward, you can reap your rewards.

Making the math work is simple: choose a reliable dividend stock like Enbridge, and consistently contribute additional funds. Over time, you'll amass a passive-income stream worth bragging about.

### CATEGORY

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4. Investing

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1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

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