



## Forget CERB: How To Build a Passive Income Stream That Will Last Forever

### Description

Many out of work Canadians are overjoyed at the prospect of \$2,000 per month coming in. It's literally keeping the utilities on and funding trips to the grocery store.

But many more are in a much more fortunate spot. These folks are enjoying their first ever taste of true passive income — and they like it. CERB money keeps flowing in while these folks are free to watch TV, play video games, or tinker in the yard. The possibilities will truly be endless once the economy reopens again.

I won't sugarcoat it. Building up your own passive income stream won't be easy. It'll take years of hard work, consistent saving, and periods of stress as your investments face adversity. But it's all worth it in the end, especially when your investments start spinning off enough cash to really make a difference.

Let's take a closer look at what it'll take to generate a \$1,000 per month passive income stream.

### Save regularly

You won't go from \$0 to [\\$1,000 per month](#) overnight. It'll take years of steady savings to get there.

Say you can put away \$833 per month, which works out to \$10,000 per year. Assuming you invest in something that offers a 6% dividend, you'll end up with just \$50 per month in dividends after year one. Sure, an extra \$50 per month is nice, but it's not going to make a huge difference.

But after a while, something miraculous happens. The magic of compound interest really starts to work in your favour — a factor that really gets accelerated if you reinvest dividends.

After five years of saving \$10,000 per year and earning an 8% total return — which could come from a 6% dividend yield and a 2% annual capital gain — you'll have a nest egg of just over \$63,000. That would generate income of more than \$300 per month.

Things are even better after a decade. Assuming you can continue to earn an 8% total return and you

maintain the same savings rate, your nest egg would now be worth more than \$156,000. That's enough to generate \$9,387 per year, or \$782 each month.

Yes, that's right. After a decade of saving \$10,000 per year and earning a reasonable 8% return, you'll make nearly that much back in annual passive income.

After you get this far, the rest will take care of itself. You'll end up with \$1,000 per month in passive income sometime during year 12.

## Invest well

Let's take a closer look at one stock poised to deliver an 8% total return while giving us plenty of dividends in the meantime. You shouldn't put all your eggs in one basket, of course, but this stock is a great start.

**NorthWest Healthcare Properties REIT** ([TSX:NWH.UN](https://www.nwhreit.com)) owns various health-related properties around the world. Assets include medical office buildings in Canada and Europe, hospitals in Brazil, and hospital buildings, clinics, and retirement homes in Australia and New Zealand.

In total, the portfolio spans 183 properties, more than 15 million square feet of gross leasable space, and features a 97% occupancy rate.

While the company did feel some impact from COVID-19, this shouldn't be a big deal. Its long-term care and retirement portfolio in Australia was spared much of the devastation that impacted [seniors housing in North America](#). Besides, these assets are leased to operators. NorthWest doesn't assume a whole lot of risk.

Not surprisingly, shares have almost recovered to pre-COVID levels. The stock trades for a little over \$11 per share today compared to just over \$12 per share back in January and February.

NorthWest has been an excellent passive income option since its 2010 IPO. The current payout is \$0.067 per share each month, good enough for a 7.1% yield. With a payout ratio of less than 90%, the payout is solid too, especially as the economy continues to recover.

## The bottom line

Passive income doesn't have to be an impossible goal. It'll take a while to save enough to get income that's even close to your CERB payments, but it's certainly possible to get there.

It's a tough goal, that's for sure. But that'll make the inevitable reward all the sweeter.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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