



How to Make \$1,000 a Month in Passive Income

Description

Just how much do you need to make \$1,000 a month in passive income?

By passive income, I mean [buy-and-forget investments](#). The passive-income stream must come from quality businesses that allow investors to sleep well at night. Additionally, these businesses are expected to increase their payouts over the long term.

With the goal of maximizing passive income, here are three top dividend stocks you can consider buying today. At the end of the article, I'll reveal how much is needed to generate \$1,000 a month (or \$12,000 a year) from these stocks.

Enbridge stock

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) stock provides a high yield of 7.8%. This is absolutely attractive in a low interest rate environment.



ENB Dividend Yield data by YCharts. A chart displaying the long-term dividend yield history of Enbridge stock.

The North American energy infrastructure leader forms a wide moat with a unique network of liquids and gas pipelines and power assets. Its assets are simply essential to the continent's energy needs.

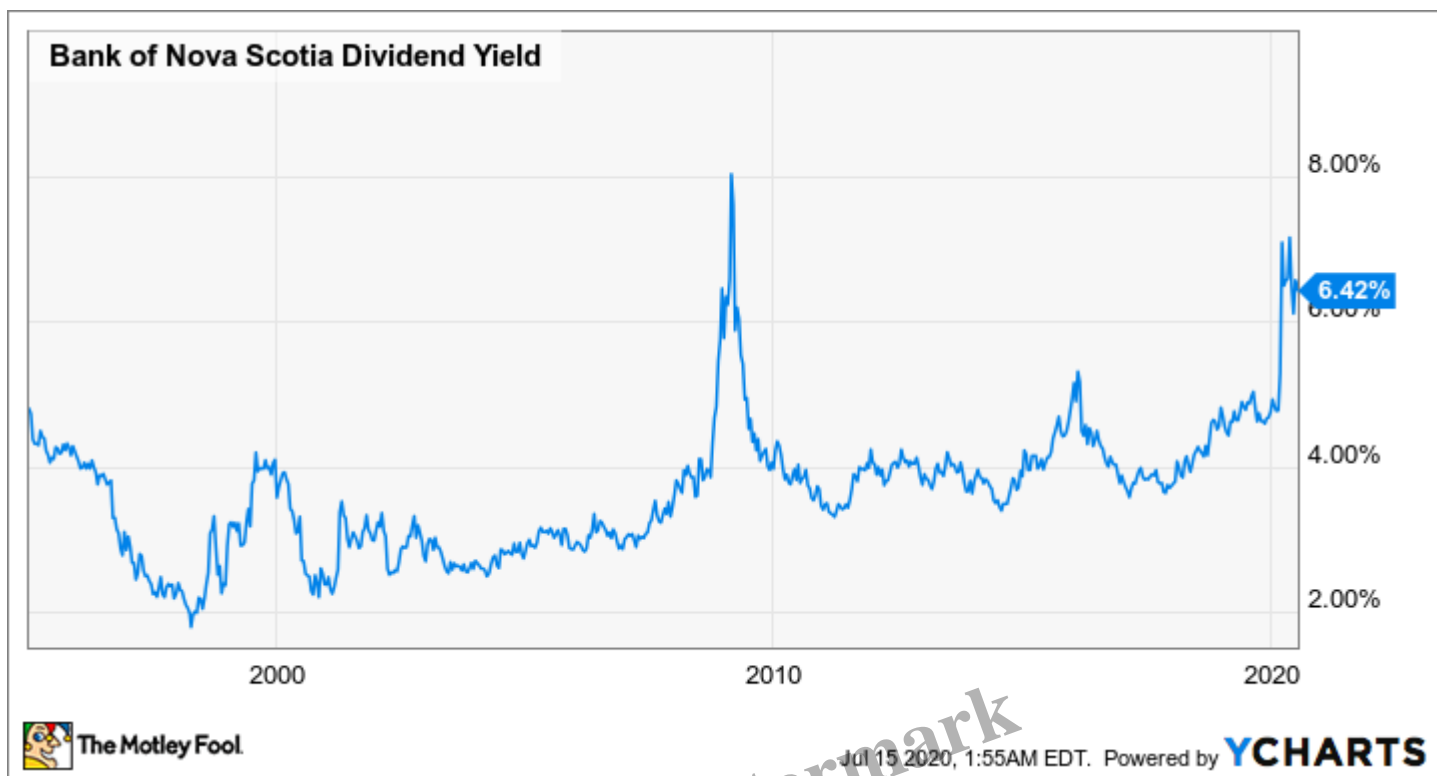
What's noteworthy is that roughly 98% of ENB stock's EBITDA is regulated. This makes its cash flow generation largely predictable and reliable, which results in a dividend with a sustainable payout ratio of about 70%.

Currently, Enbridge has a capital program of about \$10 billion combined with organic growth to support dividend growth of 5-7% per year. This would equate to total returns of roughly 14% per year over the next few years, excluding any valuation expansion from the [discounted shares](#) today!

BNS stock

The big Canadian banks are cheap this year for long-term investment. However, **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) stock has been particularly weak and trades at less than eight times its normal earnings right now. This is a discount of close to 33% from its fair valuation!

For this reason, BNS stock offers the highest yield among the Big Six Canadian banks. Its yield sits at 6.4%. As shown in the graph below, the last time the dividend was at that elevated level was during the previous recession. Without a doubt, it is a good time to buy the bank for passive-income generation for years to come.



BNS Dividend Yield data by YCharts. The graph shows BNS stock's long-term dividend yield history.

The market is worried about an ailing economy. This is a legitimate concern, which could usher the bank to freeze its dividend for a year or two to be prudent.

A utility stock you can trust

Compared to Enbridge and BNS stocks, **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)) is less known. However, it's just as good a dividend stock to own for the long haul. It owns and operates a portfolio of cash cow infrastructure assets diversified across asset type and geography.

Since BIP was spun off from its parent company, **Brookfield Asset Management**, the stock has delivered total returns of roughly 19.4% per year on the **TSX**, outperforming BAM by 3.8% per year. Additionally, BIP has always provided a bigger cash distribution. Therefore, BIP should appeal more to income investors.

At writing, BIP provides a robust yield of 4.6% — a cash distribution that it can grow by 5-9% per year.

The Foolish takeaway

If you invest the same amount in Enbridge, BNS, and BIP stocks, you'll get an average dividend yield of nearly 6.3%. To get \$1,000 a month (or \$12,000 a year), you'll need to invest a total of \$191,490 (or \$63,830 in each stock).

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
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POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:ENB (Enbridge Inc.)
4. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
5. TSX:BNS (Bank Of Nova Scotia)
6. TSX:ENB (Enbridge Inc.)

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