Passive Income: 3 Stocks That Could Replace Your Weekly Wages

Description

Passive income is the ultimate goal for every investor. Being able to replace your weekly earnings with dividends from stocks is the minimum threshold for financial freedom. However, meeting this benchmark is far from easy.

According to Statistics Canada, the average wage for Canadian employees is currently $952 per week — or about $50,000 a year. Replacing that amount with only interest and dividends will require a combination of stock picking skill, patience, and upfront capital. With that in mind, here are three passive-income stocks that could help you meet this benchmark depending on how much you can invest.

Safest passive-income stock

If you're already a multi-millionaire, your focus is probably on preserving wealth rather than creating it. As such you can mitigate the risk of losing capital while still generating enough passive income to cover basic expenses.

Fortis (TSX:FTS)(NYSE:FTS) is probably the safest bet. The utility giant offers a 3.6% dividend yield. At that rate, you'll need a $1,388,000 investment to generate $50,000 a year in passive income.

Utilities are widely considered robust businesses in any economy. Their services are essential regardless of the economic cycle. Regulations and the barrier to entry limit competition, which means most utilities settle into a state of natural monopoly.

Fortis is probably the best of the best. The stock is barely down this year, despite the ongoing economic and health crisis. That's the result of the company's strong balance sheet and conservative cash flow management. In other words, this passive-income stock is nearly indestructible.

Balanced passive-income stock

For the rest of us non-millionaires, we need to focus on passive-income stocks with higher yields.
Enbridge

(TSX:ENB)(NYSE:ENB), for example, offers a 7.7% dividend yield at current market price. To generate $50,000 a year in passive income, you simply need to invest $650,0000.

Enbridge has managed to maintain its dividend, despite the turmoil in the oil market. North America's largest pipeline and natural gas delivery company has become a lot more attractive ever since Warren Buffett made a US$10 billion bet on a rival. In other words, the Oracle of Omaha is signalling value in this sector. Ordinary investors should consider taking a closer look.

Enbridge could boost dividends and even deliver capital appreciation over time, which is what makes it the perfect pick for any investor.

Agressive passive-income stock

Even half-a-million dollars is an unattainable level of wealth for most savers. The median net worth of Canadian households was nearly $300,000 in 2016. Considering the fact that house and stock prices have climbed since then, I believe half the country should have a networth exceeding $435,000 today.

Investing that amount in **Brookfield Property Partners** (TSX:BPY)(NASDAQ:BPY) could generate enough in passive income to replace the median wage. The stock offers a 11.5% dividend yield. That's considerably higher than most dividend stocks on the market.

However, Brookfield is also the riskiest stock on this list. Commercial property, such as malls and restaurants, has been at the epicentre of the ongoing crisis. Some retailers and restaurants haven't paid their rent for the past few months. Many could be permanently out of business.

This limits Brookfield's cash flow and could weaken its balance sheet considerably. The company may also consider a dividend cut to manage debt. However, Brookfield is backed by one of the largest asset managers in the world and has a well-diversified portfolio. The company could bounce back stronger than any of its peers.

This turnaround thesis is what makes Brookfield an ideal passive-income stock for investors willing to be aggressive with their capital.

CATEGORY

1. Investing

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1. NYSE:ENB (Enbridge Inc.)
2. NYSE:FTS (Fortis Inc.)
3. TSX:BPY.UN (Brookfield Property Partners)
4. TSX:ENB (Enbridge Inc.)
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