



How to Make \$500 a Month With Only \$81,818

Description

Tough days lie ahead for the world economies, as COVID-19 cases continue to surge. Renewed economic lockdowns have already begun across Europe. Other countries may be forced to follow suit to mitigate the spread of the pandemic.

As a result, the stock market can experience another crash soon. Investors can opt to obtain sure returns from predictable dividends that allow them to ignore short-term gyrations of stock prices. Here are three big dividend stocks you can consider to get \$500 a month with an investment of only \$81,818.

Enbridge stock

Economic lockdowns will reduce the near-term energy demand. This will pressure energy infrastructure stocks like **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)). However, this precisely makes Enbridge stock a bargain for long-term investment. Seldom can investors buy the big dividend stock for close to a 9% yield!

Enbridge benefits from a low-risk business model that substantially limits the impacts of volatile commodity prices on its business. Despite the widespread impacts of COVID-19, Enbridge's latest adjusted EBITDA guidance suggests moderate growth this year.

In fact, its cash flow is of high quality, with foundations in 95% investment-grade counterparties, and diversified from more than 40 sources. Enbridge has a good chance of keeping its 8.9% yield safe on an estimated 2020 distributable cash flow payout ratio of approximately 70%.

The company will report its third-quarter results on Friday and make any necessary update to its earnings guidance. So, cautious investors might wait until then to decide whether to invest or not.

In any case, the dividend stock is [too cheap to ignore](#). A normalization of the macro environment can lead to an appreciation of more than 40% in the undervalued stock.

Bank of Nova Scotia stock

Lower levels of economic activities will also impact banks. **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) is particularly attractive for income.

The international bank trades at a discount of more than 30% from its normalized levels. This means the bank stock has room to appreciate almost 50%. It's truly a rare opportunity to be able to buy the stock with a starting yield of close to 6.5%.

The bank is holding its own with revenue growth of 3.3% in the first nine months of the fiscal year versus the same period in the prior year. Like other banks, though, due to a higher provision of credit losses, which more than doubled for BNS, its net income shrunk by almost 24%. This translated to 21% lower in diluted earnings per share of \$3.88 and a payout ratio of under 70% in the period.

A higher payout ratio is inevitable. In a normalized environment, the bank's payout ratio should revert to the mean of about 50%.

H&R REIT

H&R REIT ([TSX:HR.UN](#)) trades at a fraction of what its underlying diversified real estate portfolio is worth! It may be unbelievable that the deep value stock can double investors' money from price appreciation alone — though this process can take a couple of years.

H&R REIT cut its cash distribution by half in May. Its new dividend will imply an adjusted funds from operations payout ratio of about 65% due to severe pandemic impacts.

Therefore, H&R REIT's new payout should be safe going forward. And on a rebound of economic activities, it can even restore at least a portion of the cut cash distribution. Currently, H&R REIT yields 6.6%.

The REIT will release its third-quarter results on November 12. Prudent investors can wait until then to decide on investing or not.

The Foolish takeaway

If you invest the same amount of roughly \$27,272 in each of ENB, BNS, and HR.UN, you'll earn \$6,000 a year or \$500 a month in [passive income](#). The juicy income is a selling point of these undervalued big dividend stocks.

Expect continued weakness in these stocks in the near term, as the world experiences another wave of COVID-19. However, if you have an investment horizon of three to five years, you'll probably pocket amazing dividend income and realize outsized stock price appreciation.

CATEGORY

1. Bank Stocks

2. Coronavirus
3. Dividend Stocks
4. Energy Stocks
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TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:ENB (Enbridge Inc.)
5. TSX:HR.UN (H&R Real Estate Investment Trust)

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