How to Earn $15,000 Passive Income Starting From $0 Savings

Description

There's always a first time for everything. If you have no savings at all, you can start now. A well-planned, disciplined investment can go a long way and help you earn as much as $15,000 in passive income. While planning savings look at three things, your age, your income, and your expenses.

If you are young and have low income and 15-20 years before you need passive income, start with a growth stock in a Tax-Free Savings Account (TFSA). The Canada Revenue Agency (CRA) allows you to contribute around $5,000 every year in TFSA. The CRA will tax your contribution but exempt your withdrawals from tax.

As you have a low income and a long investment period, you can make the most of your TFSA. Open a TFSA and invest $100 a week in a few high-growth stocks. Some of the best growth stocks are tech stocks. We are in the tech age, and the move to digitization is driving the revenue of tech stocks double-digit. For instance, e-commerce companies **Lightspeed POS** and **Shopify** are enjoying a 50% average annual revenue growth rate.

Supply chain solutions providers **Kinaxis** and **Descartes Systems** are delivering an average annual revenue growth rate of 12%-15%.

Before putting your savings in tech stocks

The e-commerce companies are at an early growth stage. Hence, their stock prices are rising between 70%-150% a year. The supply chain companies are in the mature growth stage. Hence, their stock prices are rising between 20%-60% a year. There are some strong and some weak years like 2018 was a weak period for Kinaxis when its stock fell 16%, and Descartes stock reported flat growth.

But these stocks, except Lightspeed POS, grew at a CAGR of 20%-40% in the last five years. The thing with growth stocks is you need to remain updated and keep checking their fundamentals. If their fundamentals are strong, and there is a demand for their products, short-term headwinds will subside, and your overall TFSA portfolio will grow.

If you equally divide your $5,000 annual investment in these four stocks, they can give you an average annual return of ~15% in the next seven to 10 years. A $5,000 investment every year in a portfolio with a 15% average annual return will leave you with over $190,000 in TFSA in the next 12 years.

Convert your savings into $15,000 in passive income

After you have a decent amount of savings pool built up, you can transfer this money into low risk dividend stocks. Unlike growth stocks, you don't need to keep a check on dividend stocks under the normal economic scenario. Only during major industry or macro crisis, you have to check your investments.

Dividend stocks are generally market leaders in traditional businesses that generate stable cash flows. Some good stocks are **RioCan REIT** (TSX:REI-UN), **SmartCentres REIT** (TSX:SRU.UN), and **Enbridge** (TSX:ENB)(NYSE:ENB).

RioCan and SmartCentres buy spaces in prime areas and develop retail stores. They are now expanding their portfolio to include residential and office space. These REITs pay dividends from the rental income they receive from tenants. They secure their rental income by diversifying their tenant base, ensuring most of their tenants have high creditworthiness, and collecting security deposits.

They increase their cash flows by increasing their rent every year and building and renting new properties. The one-time capital investment gives returns for a long time.

Both the REITs have a 20-year history of paying stable dividends. Even during the 2009 financial crisis and in the current pandemic crisis, they maintained their dividend per share. However, they have not increased their dividends steadily.

Steady dividend growth is what Enbridge offers. It gives dividends on the toll it collects from utilities for transmitting oil and natural gas. It is broadening its portfolio to include renewable energy. Enbridge increases cash flow by increasing its toll price and building new pipelines. It increased its dividend at a compound annual growth rate (CAGR) of 11% for the last 25 years and will continue to do so for another 20 years.

Investor takeaway

If you invest $60,000 in each of the three dividend stocks, they will fetch you $15,000 in annual dividend income while keeping your original investment intact.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Tech Stocks

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)
4. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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