
How to Make Passive Income and Accelerate Your Retirement!

**Description**

Every person on the planet would like to have a passive source of income. It’s basically a steady stream of recurring income that you earn while sitting on the couch. However, it takes a lot of effort and planning to generate a passive-income stream. You need to invest a significant amount of capital that will generate these cash flows.



In short, it takes money to earn money. If you are focused and disciplined, you can derive steady and predictable income by investing in quality dividend stocks such as **Enbridge** (TSX:ENB)(NYSE:ENB). Investing in dividend stocks is one of the easiest ways to achieve your goal of generating an alternate income stream.

## Enbridge has a forward yield of 8.7%

One of the top dividend stocks on the TSX in Enbridge, which has a forward yield of 8.7%. This means an investment of $25,000 in ENB stock will help you generate close to $2,200 in annual dividend income.

Enbridge has increased dividends at an annual rate of 11% in the last 25 years. Its robust business model allows the company to create stable cash flows across business cycles. Over 95% of Enbridge’s EBITDA is backed by long-term contracts.

So, while oil producers have been decimated amid the COVID-19 pandemic, Enbridge’s resilient and diversified business ensured its earnings decline has been minimal. The company continues to invest heavily in capital expenditure and expanding its presence in the renewable energy space. This will result in incremental cash flows over the upcoming decade and support ENB’s dividend increases in the future.

Enbridge aims to keep a dividend payout ratio of less than 70%, making a dividend cut highly unlikely. Analysts tracking the stock have a 12-month average target price of $50.6, which is 35% above its current trading price. After accounting for dividend yields, total returns will be closer to 45% in the next year.

## Growth stocks can help accelerate your retirement

If you have a large sum saved, you can buy blue-chip dividend stocks and benefit from steady recurring income. However, to accelerate the process of wealth creation, you can invest in growth stocks such as **Shopify** (TSX:SHOP)(NYSE:SHOP).

While growth stocks reinvest in expansion and do not spend their capital on dividend payments, they generally provide outsized returns to long-term investors. For example, a $1,000 investment in Shopify IPO back in 2015 would be worth almost $54,000 today.

Due to its staggering returns Shopify stock is trading at a hefty premium. It has a forward price-to-sales multiple of 39 and a price-to-earnings ratio of 250. However, the company continues to grow at a stellar pace and is one of the top growth stocks to buy and hold for the next few years.

Shopify sales have almost doubled in each of the last two quarters, which has helped it expand profit margins significantly. The COVID-19 pandemic has accelerated the shift towards online shopping, acting as a tailwind for Shopify and other e-commerce peers.



## The Foolish takeaway

You need to create a diversified portfolio of stocks across sectors that have the potential to outpace the broader market. Enbridge and Shopify are two companies that should continue to increase your capital at a fast clip. You need to identify similar stocks for your equity portfolio and focus on long-term wealth-creation strategies.

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4. TSX:SHOP (Shopify Inc.)

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