



Passive-Income Investors: Make \$35 a Day Without Working

Description

Every economic crisis has a lasting impact on an individual's finances. The 2009 financial crisis converted defined-benefit pension to defined-contribution pension. This sweeping change in the pension scheme increased the average retirement age to 64 from 60 in the late 1990s, according to the [Labour Force Survey](#).

It remains to be seen how the COVID-19 crisis will impact your finances. Hence, it has become necessary to have passive income and protect it from Canada Revenue Agency's (CRA).

The fundamentals of passive income

Passive income is a source of income where the money works for you. It gives you a fixed amount and sometimes an incremental amount at regular intervals for 10-20 years. The pandemic could bring sweeping changes to the way companies work.

Many companies could resort to reducing the workforce permanently and automating mundane tasks to improve operating efficiency. For instance, **Suncor Energy** is accelerating its move to the "Suncor 4.0" program to adopt digital technologies and have a smaller workforce. The job market will only become more challenging, and self-employment could become the new norm.

The CRA introduced Tax-Free Savings Account (TFSA) during the 2009 crisis, and those who leveraged this opportunity are earning \$1,000/month in passive income today. It's not too late to get control of your finances.

How to earn \$35 a day in passive income without working

One good source of passive income is dividend stocks. You can earn \$35 a day from your TFSA with just a one-time investment of \$69,500. Here's how.

If you didn't start saving in TFSA back in 2009, the CRA allows you to save a cumulative amount of

\$69,500 this year. If you have some savings, you can put this money in **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) through your TFSA. It is advisable to diversify your savings. If \$69,500 comprises your entire savings, then save 20%, or \$14,000, in Enbridge.

Why do I suggest Enbridge? Because it is one stock that has steadily increased its dividends for the last 25 years, despite the 2009 financial crisis and the 2014 oil crisis. In the last 10 years, it has increased its dividend at a CAGR of 28.7%. Even in the 2020 pandemic crisis, it is standing strong and plans to increase dividends next year.

Enbridge

Enbridge is a [pipeline operator](#) and allows utilities to transmit oil and natural gas through its pipeline for a nominal fee. What makes its cash flows resilient to the economic crisis is its largest pipeline infrastructure and its pricing power. It increases its cash flow by building new pipelines, charging higher fees, and adding more revenue sources, such as gas storage and renewable power generation. It has over 40 sources of cash flow by business line, commodity, and geography.

Some investors are concerned about the transition to low-emission energy. Natural gas has replaced oil in several areas, but oil is still the main ingredient in jet fuel. The transition to renewable energy is happening, but it will take another 20 years to show some meaningful change in the demand for oil and natural gas. Till then, all three energy sources will prevail.

In 1949, Enbridge only transmitted liquid fuel. Over the last 20 years, it heavily invested in natural gas transmission, distribution, and storage, and today it contributes 43% towards the company's revenue. In 2020, oil demand slumped as transportation came to a halt. Its oil revenue fell 40% in the second quarter. But its distributed cash flow (DCF) was unaffected as weak cash from oil was offset by high cash from natural gas.

Enbridge has sufficient liquidity of \$14 billion and has also secured some capital for next year's projects. It expects its DCF to grow 2.8% this year, which will help it increase its dividends next year.

Passive-income investors' takeaway

Assuming that Enbridge increases its dividend at 8% CAGR for the coming decade, how much will you earn? Your one-time investment of \$69,500 will give you \$35 a day in passive income by 2030 from \$16 a day in 2020. And if you invest \$14,000, you will get \$7 a day by 2030 from \$3 a day in 2020.

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Date

2025/09/16

Date Created

2020/11/17

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