



## How Can I Make \$2,000 Monthly in Passive Income?

### Description

A friend of mine recently told me how he is bored with his stereotypical job and plans to retire early. He had a couple of things planned to generate income in his sunset years, like renting out a car or buying an annuity. However, he is concerned about the lower cash inflow and inflexibility.

### Passive income and TSX stocks

One of the best passive-income sources Canadians have is to invest in dividend stocks. Many of us ignore stock markets, because they are perceived as high-risk avenues. They are indeed riskier than a high-interest rate savings account. But many have still created a big fortune by investing in the right stocks over time, and that too with a little risk.

[Passive income](#) is what you generate, even while you are sleeping or holidaying. One does not need to have a large upfront investment to start investing in dividend stocks.

Many of us have been saving a lot on commutes or eating out due to the pandemic. If one combines that with some savings and regularly invests in TSX stocks for the long term, it will create a large reserve for their retirement.

For example, if one manages to save and invest \$500 monthly in an average returning TSX stock, they will make \$87,000 in a decade and \$275,000 in 20 years.

Let's take a moment to appreciate the power of compounding here. You are investing \$60,000 and \$120,000 in those respective cases. But interestingly, as the time of investment doubles, the reserve at the end of 20 years more than triples.

### Creating wealth through long-term investing

Notably, we have assumed an 8% return in the above calculation — an average long-term return for Canadian stocks. However, let's say your stock manages to beat broader markets and returned 12%

on average for the next 20 years. Then your investment of \$120,000 will grow to \$432,000 in two decades.

There are many TSX stocks that have delivered an average return of 12% over the longer term. For example, telecom giant **BCE** ([TSX:BCE](#))([NYSE:BCE](#)) has returned a little higher than 12% in the last decade.

BCE is comparatively a low-risk stock, because of its stable operations and visible earnings. Additionally, telecom stocks like BCE are expected to begin a renewed growth story with emerging 5G technology. As the company manages to grow its earnings, shareholder payouts will also increase.

An investment of \$432,000 in BCE would generate \$25,000 in [dividends](#) per year (that's more than \$2,000 monthly).

It's not prudent to invest a large sum into a single stock. The stock-specific risk gets evened out when we diversify.

Another top dividend stock Canadians can consider is **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)). It has been paying consistently growing dividends for years. It yields nearly 6% — almost double the TSX average. If an investor puts \$432,000 in TC Energy stock, they will generate \$24,192 in dividends per year.

TC Energy is one of the biggest energy midstream and utility companies. Interestingly, it earns stable revenues irrespective of volatile crude oil prices.

## Bottom line

Most would-be retirees shun stock markets, as they overreact to the volatility. However, investing is the most convenient and cost-effective way of generating passive income and creating wealth.

### CATEGORY

1. Coronavirus
2. Dividend Stocks
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5. Stocks for Beginners

### TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:TRP (Tc Energy)
3. TSX:BCE (BCE Inc.)
4. TSX:TRP (TC Energy Corporation)

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