



## How I'd Invest \$250 a Month to Earn a Passive Income for Life

### Description

Making an attractive passive income over the long run does not necessarily require large sums of capital. Nor does it need an investor to constantly buy and sell stocks depending on which sectors are outperforming the wider stock market.

Rather, a simple buy-and-hold strategy that focuses on purchasing high-quality companies at low prices can produce a large portfolio. From this, a generous income can be drawn that provides financial freedom in the long run.

### A buy-and-hold strategy to make a passive income

It is tempting to buy and sell stocks over a short time period when aiming to make a worthwhile passive income over the long run. After all, events such as the recent stock market rally can lead to sizeable profits for investors. This may lead them to lock-in profits and seek to repeat their success elsewhere.

However, a buy-and-hold strategy may be more effective in building a portfolio in the long run. Not only does it mean less commission costs and potentially less effort than a plan to trade stocks regularly, it also allows holdings within a portfolio to deliver on their potential. This is especially relevant at the present time, since a number of solid businesses may take many months, or even years, to recover from their present-day challenges.

Furthermore, a buy-and-hold strategy can lead to a larger passive income in the long run. It allows compounding to have a positive effect on a portfolio's value. Over time, this can turn even modest monthly investments into sizeable sums of capital.

### Buying high-quality stocks at cheap prices

As well as using a buy-and-hold strategy, purchasing high-quality companies at low prices can have a positive impact on an investor's passive income prospects. The past performance of the stock market has shown that recoveries from its declines have always taken place. Therefore, using market cycles

to buy undervalued shares can be a means of outperforming the wider index.

Certainly, some stocks are priced at low levels because they have weak finances, lack a competitive advantage or face major challenges that may not be overcome. However, other stocks currently have low valuations based on weak near-term operating outlooks that are likely to reverse as the world economy's prospects improve.

## Investing money to make an income return

Even if an investor matches the high single-digit annual returns of the stock market, they could make an attractive passive income in retirement with a modest monthly investment. For example, investing \$250 per month at an annual return of 8% would produce a portfolio valued at \$375,000 within 30 years. From this, a 4% annual withdrawal equates to an income of \$15,000.

By purchasing strong businesses at low prices and holding them for the long run, it is possible to beat the stock market's returns. This may lead to an even more appealing income in the coming years.

### CATEGORY

1. Dividend Stocks
2. Investing

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

### Category

1. Dividend Stocks
2. Investing

### Date

2025/08/25

### Date Created

2021/01/22

### Author

peterstephens

default watermark

default watermark