Passive Income: 1 Easy Way to Make $850 Per Month in 2021

Description

The last time the world faced a crisis of a similar magnitude to the COVID-19 pandemic was in 2008-2009. Canada responded promptly to support workers and businesses in the wake of severe financial hardships. However, the emergency and recovery benefits are all temporary and relief for the short-term.

Many recipients of the various income support programs are saving instead of spending their pandemic money. According to Statistic Canada, the country's household saving rate is growing. In Q3 2020, the rate was 14.6%, which is still high and comparable to the early 90s level.

Canadians looking to put their money to good use can consider one simple strategy. Investing in a high-yield dividend stock can generate $850 per month to add to your household's savings or disposable income.

Generous income stock

Keyera (TSX:KEY) is the go-to dividend stock of income investors whose risk appetites are moderate to high. The energy stock pays an over-the-top 7.99% dividend. Since it's also a monthly income stock, an investment of $127,700 will produce $850.27 passive income per month.

Last year, Keyera investors lost by 27.8%, although the management didn't slash dividends. However, the energy sector is outperforming the general market (+2.99% versus +1.49%) and seven other sectors thus far in 2021. Meanwhile, Keyera's year-to-date gain is 9.3%. Analysts forecast the price to climb 26.2% to $31 in the next 12 months.

Optimistic oil and gas industry outlook

Deloitte Canada expects higher demand for crude to return in 2021 after the challenges of 2020. It adds that supplies will decrease over the first quarter because of the winter months. According to Andrew Botterill from Deloitte Canada, oil and gas companies must work to understand how markets are changing because of the pandemic to stay competitive.

The outlook by the Canadian Association of Petroleum Producers is no longer gloomy. It sees capital spending to rise by $3.36 billion from $23.94 billion in 2020. The Petroleum Services Association of Canada (PSAC) share the same optimism as it forecast the number of wells drilled across the country to increase by 75 to 3,350 in 2021.

Elizabeth Aquin, the PSAC interim CEO, said oilfield services companies survived the prolonged downturn due to federal government programs such as the Canada Emergency Wage Subsidy (CEWS). The $1.7-billion abandoned well cleanup program helped too.

Investment thesis

Keyera's integrated midstream business gives it a competitive advantage. Along with the full range of essential midstream services, a high proportion of its broad customer base consists of investment-grade counterparties.

Management's goal is to strengthen Keyera's industry-leading position. The business outlook is encouraging as the capital program focuses on investments that support future growth. The completion of two projects (Wapiti gas plant and the Wildhorse terminal) over the next three years will extend the company's secured growth into 2022.

Keyera is also heavily favoured by long-term investors because of its dividend aristocrat status. The energy stock has a long history of steady dividend growth that dates back to its 2003 Initial Public Offering (IPO). The dividend growth rate over the last five years is an impressive 8.9%.

Choose the right investments

Historically, the stock market still experiences ups and downs. Today, Canada is in a recession, and the COVID-19 pandemic could still shake the market. However, you could still earn passive income provided you choose the right investments or Dividend Aristocrats, for that matter.

CATEGORY

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1. TSX:KEY (Keyera Corp.)

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