



## Passive Income: How to Easily Make \$4,833 Per Year!

### Description

Financial freedom. It's something we all want to achieve, but what does it mean exactly? Does it mean no debt? Does it mean real estate investments? Does it mean a stack of bills hidden in your mattress? Or does it simply mean having passive income to achieve all of this?

Well, maybe not the mattress part.

Passive income can help you pay off debt, pay down your mortgage, even [invest in things](#) like real estate, if that interests you. But to get there, it takes some time and investing. Let's say your goal is to supplement your current income by making an extra month of work per year. That will take some time and cash to get there. But *it is doable*. And here at Motley Fool Canada, we want to get you there.

So, if you make around the average \$58,000 per year, that would mean you need an extra \$4,833 in income. So, let's see how you can get there.

### Put passive income to work

While stocks can jump and sink, swayed by trends and recessions, passive income is steady. While others might have to cut back on expenses, passive income can provide a cushion. Investing in dividend stocks can become a strong way of life, and with very little effort on your part.

The key is to pretty much ignore your passive income. Yes, that's right. Use your active income from work to pay down bills and debt — something the Motley Fool Canada always recommends. Then put around 10% aside for investments, if you can. Then once you receive that passive income from dividend stocks, put it directly back into reinvesting. Then you'll continue to build wealth towards financial freedom.

Even if you're retired this can work for you. Pensions can cover basic financial needs, and passive income can help build towards your retirement lifestyle. One day we will be able to travel again, as crazy as that seems. And if you're young, by the time you retire, you'll have a mass of passive income just waiting to be spent.

## Earn \$4,833 per day

If you're looking to gain as much passive income as possible, I've found the \$20-\$40 and 5-7% rule is what I like. If you can find a company that offers a share price between \$20 and \$40 with a dividend yield of 5-7%, that's the sweet spot. Shares aren't so cheap that they can take a dive but not so expensive that it'll cost a lot to gain all that passive income. The yields will also be dollars — not a couple cents due to a cheap share price.

A passive-income stock that falls directly into this spot is **Canadian Utilities** ([TSX:CU](#)). The stock falls directly into the [sweet spot](#) as of writing, with a share price of around \$36 and a dividend yield of around 5%. And the company is in the utilities sector, obviously. That means dividends are pretty much guaranteed.

The lights will always be on, and that means the company will continue to collect. That's why many writers here at the Motley Fool Canada recommend utility companies. They then reinvest by acquiring new businesses and bringing in even more revenue. This was seen during its recent earnings report, when Canadian Utilities saw adjusted earnings of \$191 million — up 6.7% from the year before. This was due to cost efficiencies and growth in its asset base — and, of course, from long-term contracts.

## Foolish takeaway

So, to make that \$4,833 amount, you would need to invest about \$98,857 as of writing in Canadian Utilities stock. But don't think that's too much! While it might take a while, by putting cash aside, you can eventually work towards that goal. By simply putting away 10% of your paycheck each month, that would be \$5,796. And while you work towards your goal, you'll still be collecting passive income to last you decades.

### CATEGORY

1. Dividend Stocks
2. Investing
3. Personal Finance

### TICKERS GLOBAL

1. TSX:CU (Canadian Utilities Limited)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn

4. Newscred
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