Passive Income: How to Earn $500 per Month

Description

Passive income investors have plenty of options, with many high-yield securities still off from their pre-pandemic highs. Undoubtedly, various Real Estate Investment Trusts (REITs) are still down country miles away from their peak levels.

Similarly, many COVID-hit reopening plays have taken a few steps back of late, as the insidious Delta coronavirus variant caused doubters to question the looming economic recovery.

Monday's round of selling was all about the horrific Delta-sparked outbreaks across various parts of the globe. Things are going well in Canada of late, with provincial reopenings from the third wave underway. But there's no telling what things will look like come September and October.

In any case, I find it less likely that Canada will suffer a full-blown lockdown given that vaccines are still effective against this variant.

Reaching for higher yields with the last of the beaten-down reopening plays

Sure, vaccination rates have stalled out, which could prevent the nation from reaching herd immunity this year. But as the CDC put it, we're likely entering a stage where it'll be a "pandemic among the unvaccinated."

Those who've been inoculated will continue as planned, and that should keep the great reopening moving along. While the pandemic will continue to be unpredictable, I think there's no turning back from the economy's epic reopening at this juncture.

That's why I'm a huge fan of battered reopening plays, especially those with yields at the higher end. Such swollen payouts may prove to be less risky, given the recovery on the horizon.

Consider **SmartCentres REIT** (TSX:SRU.UN) and the **BMO Canadian High Dividend Covered Call Equity ETF**

(TSX:ZWC), which sport yields of 6.2% and 6.6%, respectively, at the time of writing. Both securities can help one average a yield over 6%, which works out to $6,000 per year or $500 per month in passive income based on $100,000 in invested principal.

SmartCentres: Passive income and deep value

SmartCentres REIT was up 2.4% on Tuesday, as Delta fears calmed down. The retail REIT, which is among the best of the pack, kept its distribution alive during the worst of last year's lockdowns. In a prior piece, I praised the REIT for its high quality of tenants and its relative resilience during the crisis. The REIT was fortunate because of the high calibre of its tenants. Pending any disastrous lockdowns, I think Smart's distribution, which yields north of 6%, will remain on strong footing.

As the reopening continues, I expect rent collection to normalize further, and shares could find themselves back at new highs as investors focus on the ambitious mixed-use property push and less on the impact of future lockdowns.

Shares seem far too undervalued here, given the favourable risk/reward profile. Although I wouldn't put all $100,000 on the one REIT, I would put a sizeable portion down to get a passive income jolt.

The ZWC: Your passive income one-stop-shop

I'm a massive fan of Bank of Montreal's line of ETFs, especially the specialty-income options that allow jittery investors to give themselves a raise without having to surrender their peace of mind.

Undoubtedly, covered call ETFs are not for everyone. The labour involved in writing covered calls will come at the cost of a higher MER (0.72%). And such a strategy tends to lose as markets climb, given the writing of covered call options trades off upside for premium income.

If passive income is what you seek and you're willing to forego capital gains potential if this market continues roaring higher, then the ZWC is a worthy option. And if you're bearish on the market overextended valuations, the income-heavy ZWC will be poised to outperform.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)
2. TSX:ZWC (Bmo Canadian High Dividend Covered Call ETF)

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