



## Passive Income: Make \$800 a Month in Dividend Income for Life!

### Description

According to *Jobillico*, the [average annual salary](#) of full-time working Canadians is just over \$54,630 in January this year. It noted the average salary remains high in Alberta, British Columbia, Ontario, and Quebec — provinces that tend to have strong economies. It also highlighted that the average salary in Newfoundland and Labrador, and Saskatchewan have caught up!

Those with the right skills could also choose to take up a job in resource-rich regions like Nunavut, the Northwest Territories, and the Yukon for the highest average salaries in the country. However, the trade-off may be losing the bustling city life and socializing with others aside from co-workers. Perhaps, the isolation is not much of a trade-off during the pandemic. The job could be a temporary strategy (perhaps up to a few years) to boost one's net worth.

Notably, according to *Statistics Canada*, the median annual income of about \$39,169 this year is much lower than the \$50K figure above. This is partly because it's a median figure versus an average figure. In some sense, a median figure is more telling, because it doesn't get stretched by high-income earners who are earning +\$100K salaries. Additionally, this median figure includes Canadians who are 16 years and older. Many teens don't work full time and so don't earn much of an annual income.

In any case, active income doesn't necessarily come easily. No matter what annual income you anticipate earning this year, you can raise your income to the next level by building a secure passive-income stream!

The inflation rate could be higher or shorter in the short term, but the Bank of Canada targets a long-term rate of about 2%. Therefore, we also want our income to rise to maintain purchasing power.

We can't control how much our active income will increase, but we can ensure our passive income is always increasing and beating inflation by ensuring it's growing at least 6% per year — three times the long-term inflation target.

## Make passive income from dividend stocks

Let's say we're starting with a goal of making \$800 of monthly passive income. How much do you need to invest? \$800 of passive income equates to \$9,600 of annual income.

On a safe 4%-yield dividend portfolio, you'll need to invest \$240,000. By targeting a 4% yield, you would be balancing between getting a nice current income and stable growth. Instead of populating your entire portfolio with stocks that yield about 4%, it might be a better idea to mix it up like the following example.

When you [buy Fortis stock](#) at a 4% yield, you can expect it to grow about 6% for long-term total returns of about 10%. An investment in **Enbridge** stock offers a yield of 6.8% and growth of about 3% for long-term returns of about 10%. Investing in **Enghouse Systems** stock can get you an initial yield of 1.1% and growth potential at a rate of at least 15%.

They're all Canadian Dividend Aristocrats that have increased their dividends for at least five years. Among the group, Enghouse has provided the best dividend growth. The tech stock's small yield has historically been compensated by high earnings growth (leading to high dividend growth). Specifically, its 10-year dividend-growth rate is 21%.

After buying these dividend stocks at good valuations, you can pretty much sit on them for passive income. And you can count on them, as a group, to grow your passive income at a pace that far exceeds inflation to more than maintain your purchasing power. Right now, all three stocks are reasonably priced with Enghouse being the biggest bargain.

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kayng

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