



## Passive Income: Here's How Much Cash You Need to Earn \$1,000 a Month

### Description

Dividend stocks are ideal investments because in addition to offering capital gains potential, they also provide investors with passive income.

The whole point of saving your hard-earned money and finding assets to invest in is to grow that capital. So when you can buy assets that offer a passive income stream, not only are they generally less risky, but they offer attractive opportunities.

By utilizing tools investors have at their disposal like the [Tax-Free Savings Account](#) (TFSA) you can grow your capital even faster. And when you are [compounding your money](#) over the long run, it will start to grow rather significantly.

### How much do you need to earn \$1,000 a month in passive income?

Any passive income is attractive. But you may be wondering how much money you need upfront to start earning a certain amount today.

Say you have a goal of making \$1,000 a month, or \$12,000 a year. To figure out how much money you need today, first, you have to decide what type of stocks you want to invest in and the target yield your portfolio will have.

Investors who have a portfolio yield of 4% will need a total value of \$300,000, whereas an investor with a portfolio yield of 6% will need just \$200,000 to earn \$1,000 of passive income each month.

Typically, though, the higher yield your portfolio has, the slower the capital gains growth you will see over the long run. So it's important to balance having the right amount of dividend stocks alongside your growth investments.

## Dividend growth stocks are some of the best to buy

Even if you don't have hundreds of thousands of dollars today, you can start to build a growing passive income stream.

By investing in dividend growth stocks, you can earn passive income now, which you can invest in new companies that also pay dividends. Plus, if these companies are increasing their payouts to you each year, your income will be growing in both ways.

So even if you don't have the money today to start earning \$1,000 a month, the sooner you invest the money you do have, the sooner you can get there.

## A top dividend growth stock for passive income seekers

If \$1,000 a month is your goal, and you want to start compounding your money today to help get you there, one of the best dividend growth stocks to buy now is **North West Company** ([TSX:NWC](#)).

North West is a consumer staple company that operates in Northern Canada, Alaska, and the Caribbean. It's a great business to buy and hold as a core portfolio stock since it pays investors an attractive amount of passive income.

Not to mention, as COVID cases continue to rise around the world and Canada prepares to face a fourth wave, owning a highly defensive stock like North West can be beneficial.

The most important factor to consider, though, is its long-term potential to continue paying and growing the dividend.

The fact that North West is a consumer staple, providing consumers with food and household essentials makes it a low-risk business. Plus, it operates in mostly remote regions, where there is little competition that it faces. So the dividend should always be quite resilient.

And with the work North West has done to improve its operations over the last few years, its profit margins should continue to expand, which should lead to more dividend increases.

Northland is one of the top Dividend Aristocrats in Canada, some of the best stocks to buy for passive income seekers. So if you're looking to build up your passive income stream and invest in high-quality dividend growth stocks, I'd start with top businesses like North West.

### CATEGORY

1. Dividend Stocks
2. Investing

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