



3 Easy Steps to \$100 in Daily Passive Income

Description

Yes, you're reading this right: \$100 in *daily* passive income could be the definition of financial freedom. That amount adds up to roughly \$36,500 in annual income – half the median Canadian salary. Here is a simple three-step strategy that could help you achieve this within 12 years.

Focus on growth investing

Unless you're a millionaire already, you'll need to accumulate enough capital to generate passive income later. This means you'll probably have to focus on hyper-growth stocks. These are usually companies that reinvest all their excess cash back into the business, which means they don't pay any dividends.

Constellation Software ([TSX:CSU](#)) is a great example of this. Over the past decade, the stock has delivered little to no dividends, but the price has appreciated 3,870%. That's a compound annual growth rate (CAGR) of 44%!

At that pace, you could turn \$10,000 in annual investments into \$1.2 million in a decade. Constellation's future growth rate could be significantly lower, but it's still one of the most reliable growth stocks on the Canadian market. Even if the stock achieves a CAGR of 26% in the future, it could help you accumulate over \$600,000 within 12 years.

Indeed, \$600,000 in investable assets should be enough to generate passive income. But first, you need to mitigate taxes.

Maximize your tax-free accounts

The only thing better than passive income is *tax-free* passive income. Your Tax-Free Savings Account (TFSA) and Registered Retirement Savings Plan (RRSP) are essential tools when it comes to achieving this.

At the moment, the maximum contribution room in the TFSA is \$75,500. That room is expected to expand over the next decade. Meanwhile, the RRSP room is capped based on your annual income.

Together, these two accounts can hold a significant portion of your \$10,000 in annual investments. You could effectively accumulate \$600,000 without tax liabilities if you plan for it.

The final step is to switch your investments from growth stocks to dividend stocks.

Dividend passive income

Growth stocks like Constellation Software rarely pay a dividend. That means you'll have to switch to a dividend-paying stock if you want to see recurring annual cash flow from your assets.

A [stable and reliable dividend stock](#) like **BCE** ([TSX:BCE](#))([NYSE:BCE](#)) could be ideal. BCE's business model isn't vulnerable to disruption. Wireless data and connectivity are likely to be in high demand for the foreseeable future. Meanwhile, BCE's market dominance won't be easy for competitors to overcome.

This means the telecom giant can easily sustain its dividend payout for the next few decades. At the moment, the dividend yield fluctuates between 5% and 6%. At that rate, you could expect \$36,000 in annual dividends or nearly \$100 a day in passive income.

Bottom line

Focus on maximizing your tax-free accounts every year, invest in hyper-growth stocks and switch to Dividend Aristocrats when you're ready. This simple three-step strategy could help you replace half of your annual salary with passive income.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)
3. TSX:CSU (Constellation Software Inc.)

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