Passive Income: Make $300 Per Month in Dividend Income for Life!

Description

Inflation increases our cost of living. Food, transportation, clothes, housing, entertainment, etc. all cost way more than 10 years ago. This means if your savings are in the bank or sitting idly somewhere, you're essentially losing your purchasing power.

The Bank of Canada aims for an inflation rate of 2% in the long run. Therefore, Canadians need to earn a 2% interest or return on their savings or investments to maintain their purchasing power. You can do better than that by aiming for a return of 6%, which is three times the rate of inflation!

Let's say you make $60,000 a year. You can't guarantee a raise from your job, which is why it's a fabulous idea to use passive income from dividend stocks to supplement your active income to battle inflation.

Since you want to more than keep up with inflation by aiming for a 6% rate of return, that would total to a passive-income target of $3,600 per year, or $300 per month.

Make passive income of +$300 per month

You don't necessarily need to seek monthly dividend stocks to earn $300 of passive income a month, but it's convenient to do so. Here's one monthly dividend stock you should highly consider buying.

At writing, **Canadian Net REIT** (TSXV:NET.UN) yields about 3.9%. So, to earn a passive income of $300 per month from the real estate investment trust (REIT), you'll need to invest approximately $92,308 today. That's a big sum to come up with for sure, but in all likelihood, you're going to be earning passive income of more than $300/month soon from this investment. The Canadian REIT is an enthusiastic Canadian Dividend Aristocrat with an awesome track record of growth.

Why the REIT is a great passive-income machine

It's in Canadian NET REIT's DNA to increase its payout. It has increased its cash distribution every year since 2013 at a compound annual growth rate of 10.2%. The growing passive income is a wonderful incentive to engage shareholders — 15% of which are insiders. It's no wonder the company is 100% behind its dividend.

Furthermore, in this period, the REIT has increased its funds from operations (FFO) by 15.8% per year, which far outpaces its dividend growth. Consequently, Canadian Net REIT is proud of having one of the lowest payout ratios in the industry — its payout ratio is estimated to be about 50% this year.

The REIT's rental income are very defensive. It earns about 89% of its net operating income (NOI) from national tenants who tend to renew their leases at expiry. Moreover, its core tenants, which contribute to approximately 58% of NOI, have stable businesses or strong balance sheets. They include grocery chains **Loblaw** and **Walmart**, and solid businesses like **Suncor** and Tim Hortons — a subsidiary of **Restaurant Brands International**.

The Foolish investor takeaway

We started off looking for passive income, but Canadian Net REIT is obviously more than a passive-income machine. It's a stable wealth generator!

Since 2011, the dividend stock's returns have been 22% per year, turning an investment of $10,000 into $86,363! Now, that's growth that can allow you to forget inflation altogether!

When exploring dividend stocks for passive income, do not fixate on the immediate income that they offer. Also consider their potential dividend growth.

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