



Passive Income: Earn \$3 a Day With \$15,000 in This 1 Stock

Description

With a decent amount of capital in the right dividend stock, it's possible to earn a double-digit daily passive income. But divesting that kind of money in just one stock would essentially mean that you've given up on diversification. And it also puts you at risk of a significantly reduced passive income if the company decides to slash its dividends.

But it *can* get worse. If you exit your stake when the company has already slashed its dividends, you are highly likely to do it at a loss since dividend cuts are usually followed by major price dips.

So, it's a good idea to stay realistic about your passive income goals. If you have a relatively modest sum to invest, say \$20,000 or less, you can easily earn a passive income of around \$2 or \$3 dollars a day, even if you stick to high-yield dividends. You can earn the same income with less capital invested if you choose a high-yield stock like **Slate Office REIT** (TSX:SOT.UN).

Passive income

Slate Office REIT is currently offering a [mouthwatering yield](#) of 7.4% at a payout ratio of 58.6%. The relatively safe payout ratio, coupled with the fact that the REIT has already slashed its dividends in 2019 could indicate that the REIT will try its best to sustain its dividends in the near future.

At this yield, if you invest \$15,000 in the REIT, you will earn about \$1,116 a year, which comes down to a daily passive income of \$3. While the daily amount might not seem like much, it's a very decent sum considering the amount of capital invested. No matter how financially stable a REIT is, the possibility of dividend cuts is always there. Thus, concentrating your capital on a single stock, even a reliable, high-yield one, might not be a good idea.

If you wish you produce a double-digit daily passive income, you'll need to invest at least around \$50,000 just to get \$10 a day.

The REIT

Even though being part of the Slate family gives [this REIT](#) a lot of credibility and weight, it's not exactly in its financial prime. It's a pure-play North American office REIT with a portfolio made up of 34 properties worth about \$1.7 billion. As well, 44% of the portfolio is concentrated in Ontario alone, while the rest is spread across other provinces; 19% of Slate Office's properties are in Illinois, U.S.

The REIT has an impressive tenant base, but it's facing a lot of challenges thanks to the transition to the work-from-home trend. Once workplaces open in earnest and offices start seeing the pre-pandemic "attendance" levels, the REIT might see a financial turnaround.

Foolish takeaway

When creating a passive income portfolio with [dividend stocks](#), the ideal place to put your holdings in is a Tax-Free Savings Account (TFSA). With this tax-free account, you can start a passive income stream that augments your primary income without pushing your overall tax profile.

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