



How Much Money Do You Need to Invest to Make \$500 a Month?

Description

Some investors look to build wealth, and some look to build an income. Sometimes one investor can have a “make me rich” portfolio and a passive income portfolio. Here, I will talk about the second portfolio.

As the Canada Recovery Benefit (CRB) phases out, it has created a small gap in income and spending. Many Canadians realized they need a passive income of at least \$500 a month and have turned to the stock market to meet this need.

Now comes the big question.

How much money do you need to invest to make \$500 a month?

The answer is in the dividend yield. Many good Canadian stocks have a [dividend](#) yield of between 4% and 6%. So it is safe to assume you can get an average yield of 5%. Now don't get confused with 5% as this is what you will get in a year.

Many companies pay monthly and quarterly dividends, but the total of all dividends paid in 12 months as a percentage of the stock price gives you the yield. Let's do the math.

If you need \$500 a month, you should earn \$6,000 a year in dividends. Given that you earn a 5% dividend yield every year, you need to invest \$120,000. That's a large amount. Is there another way to invest a lesser amount and still get \$500 a month? There is.

Many dividend stocks grow their dividend every year as they benefit from rising inflation. If you invest in such stocks, the money you need to invest will reduce. Let's take three such stocks and find a practical solution to earning \$500 in passive income. Before I forget, invest through Tax-Free Savings Account (TFSA) to save your dividend income from taxes.

Three stocks that can give you \$500 a month

- BCE ([TSX:BCE](#))([NYSE:BCE](#))
- Enbridge ([TSX:ENB](#))([NYSE:ENB](#))
- Canadian Utilities ([TSX:CU](#))

BCE dividends

BCE has accelerated its investment in 5G infrastructure. The company has been paying a quarterly dividend for more than 25 years from the subscription revenue it received from users. The telecom operator is currently in the midst of a technology revolution from 4G LTE to 5G.

The 5G infrastructure will create an ecosystem where heavy electronics like drones, robots, autonomous cars can connect to the internet. It will redefine remote connectivity and lead to the proliferation of devices. More devices mean more subscriptions per user which means more dividends.

BCE has a 5.23% dividend yield and a 10 year-dividend compound annual growth rate (CAGR) of 6.4%. The 5G opportunity could help BCE accelerate its dividend growth.

Enbridge dividend

Enbridge has been paying quarterly dividends for over 40 years and even growing them for the last 26 years. The company pays dividends from the toll money it gets for transmitting oil and natural gas to various regions of Canada and the United States. Canada is the world's third-largest [oil exporter](#), and 98% of its oil exports are to the United States. So you can imagine the volumes, and Enbridge's toll money depends on oil and gas volumes transmitted.

Enbridge has earned so much toll money that it increased its dividend at a 10% CAGR in the last 26 years. However, I expect the growth rate to slow in the coming years as it is becoming difficult to build new [pipelines](#). But its 6.6% dividend yield makes up for the slowdown.

Canadian Utilities

Canadian Utilities supplies electricity and natural gas to several regions in and outside Alberta, Latin America, and Australia. And you know electricity demand will keep growing as 5G leads the way to smart cities and smart cars. The electricity bill you have been paying will only increase because your consumption and the rate per unit will increase. Canadian Utilities is one of the beneficiaries. That explains its 49-year history of growing dividends. Its 10-year dividend CAGR is 8%.

\$75,000 investment today can earn \$500/month by 2029

If you invest \$25,000 in each of the three stocks, you will earn around \$350/month in dividend income in the next 12 months. I expect the three-stock portfolio to give a 5% dividend CAGR from 2021-2030. If this estimate comes true, you will be earning \$500/month by 2029.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Personal Finance

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:CU (Canadian Utilities Limited)
5. TSX:ENB (Enbridge Inc.)

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