How to Earn $500/Month in Passive Income ASAP

Description

Wouldn't it be nice to earn $500 per month in passive income as soon as possible? It would be like having another you working part-time, only that you don't have to do the extra work. Some active work is initially needed to set up $500 per month in passive income, though. You'll need money to help you make money.

First, you've got to save regularly and diligently. Second, focus your excess cash on investing in high-yield Canadian Dividend Aristocrats like **Enbridge**, **BCE**, and **Exchange Income**.

Saving

To get money to work for you, you first need to save. So, aim to spend less than you earn and pay off your high-interest loans first. If you earn a bonus or some extra cash from a side gig, save that, too.

After building an emergency fund, the idea is that all your savings will go to your passive-income fund. Getting started is the first step. Getting into the habit of saving is the next step.

How much do you need to save? As an example, let's say you average your investments across the three big dividend stocks introduced above, you'll get an average yield of about 5.8%. To get $6,000 a year (averaging $500 per month), you'll need to invest about $103,448 today.

Why invest in Canadian Dividend Aristocrats?

The good news is that Canadian Dividend Aristocrats tend to increase their payouts. Enbridge's five-year dividend-growth rate is about 12%. BCE's and Exchange Income's are roughly 5%. This means that even if you don't have $103,448 today to invest, your increased savings and the dividend growth of the underlying companies can help you get to a passive income of $500/month and beyond!

Enbridge, BCE, and Exchange Income have increased their dividends for 25, 12, and 10 consecutive years, respectively. They have a culture to increase their dividends. Their high yields and dividend-growth DNA attract long-term income investors to hold their stocks. Their stable dividends also result in low-volatility stocks that make them easier to hold.

What about higher-growth dividend stocks?

Some Canadian Dividend Aristocrats provide higher growth, which leads to faster-growing dividends. However, they tend to provide low dividend yields, and it would take years for their dividend income to catch up with a big dividend stock that's also increasing its dividend.

For example, let's say BCE continues growing its dividend by 5% a year versus **goeasy's** 15% growth rate (to be more conservative). It'll take 24 years for the yield on cost of an investment in goeasy today to catch up to the yield on cost of a BCE investment. Based on this example, it'll take 24 years for an investment in goeasy to generate the same income as BCE.

24 years is a long projection into the future. High-growth companies would see their growth slow down in that period, unless they experience a breakthrough or make a transformative acquisition. So, at best, the above example is an illustration only.

The Foolish investor takeaway

If generating passive income is your top priority, consider big-yield dividend stocks first, even when they offer slower growth than low-yield higher-growth dividend stocks. Save diligently and invest in big dividend stocks that have sustainable payout ratios to achieve $500/month in passive income asap!

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