How to Double Your Passive Income in 2022

Description

Passive income has been elusive in recent years. Most high-quality dividend stocks were overvalued during the bull run. Now that we're in a bear market, dividend stocks are at risk of capital losses or earnings stagnation. It's a tricky time to be a dividend investor.

Nevertheless, there are ways you can sustain or even boost your passive income in the year ahead. Here are some of the strategies you should consider.

Rotate to other industries

As economic conditions change, your dividend stocks could be in or out of favour. For instance, commercial real estate is clearly out of favour at the moment. Real estate investment trusts (REITs) are beaten down, which means they offer substantially higher dividend yields.

SmartCentres REIT (TSX:SRU.UN) is an excellent example. The stock offers a 6% dividend yield, which is roughly double the average yield in the real estate sector at the moment. Investors are worried about the impact of higher interest rates, inflation and a new variant of the virus. But SmartCentres is in good financial shape and anchored by essential businesses, which makes its high-yield dividend relatively secure.

Adding exposure to this REIT could help boost your passive income considerably.

Look for dividend-growth stocks

The dividend yield of some stocks is deceptively low. These companies have enough cash on hand and robust growth opportunities to expand dividends. Canada's largest banks, for instance, kept their dividend-payout ratio low due to regulations. These restrictions have been lifted, which means the payouts could surge.

All major banks have recently boosted their dividends by 10% to 25%. **BMO** offered one of the biggest bumps of 25%. The stock offers a dividend yield of 3.8%. Payouts could increase further in the years ahead if the economic recovery continues and the real estate sector continues to boom. That means your passive income from bank stocks could increase substantially.

Unconventional passive income

Dividends from real estate and bank stocks are the most conventional passive-income strategies in Canada. If you're looking for better returns, you may want to consider unconventional alternatives.

Alaris Equity Partners Income Trust (TSX:AD.UN) is a good example. The investment firm manages a portfolio of preferred shares in private companies. The company offers growth capital to founder-controlled or family-owned small- and mid-sized businesses in return for higher yields.

It's deployed over $1.8 billion to date in over 35 companies since inception. Its target is between 13% and 15% annual returns. That's reflected in the stock's dividend payout, which is far above average at 7%.

Shifting some of your portfolio to alternative assets like Alaris could substantially boost your passive income. However, you need an appetite for risk in these investments, so they're not for everyone. Proceed with caution.

Bottom line

The **TSX 60 Index** — a collection of the biggest companies in the country — offers a dividend yield of just 2.5%. By comparison, smaller alternative stocks like Alaris offer dividend yields that are roughly triple the average. Dividend-growth stocks could also deliver better returns in the near future.

Put simply, you can boost your passive income by shifting your allocations right away.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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