



## Passive Income: Earn \$500/Month From Big Dividend Stocks in 2022

### Description

Let's admit it. Nothing beats earning passive income. One easy way you can build passive income from the comfort of your home is through dividend stocks. You only need some savings and genuine interest in stock investing. You can earn passive income by focusing on investing in solid dividend stocks at good valuations. Then sit on your shares to collect income from a diversified basket of dividend stocks. That's as passive as it gets.

According to *The Single Best Investment: Creating Wealth with Dividend Growth* by Lowell Miller, you're getting a big dividend if the stock yields 1.5 to two times the market benchmark's yield. The Canadian stock market yields about 2.55% at writing. So, a big dividend would yield 3.8% to 5.1%. This range ensures you're getting an above-average income. Additionally, it helps investors avoid excessively high yields and potentially getting burned by dividend cuts or capital losses.

Without further ado, here are a couple of big [dividend stocks](#) that yield within that range.

### A big Canadian bank stock

As one of the Big Six Canadian banks, **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) enjoys an oligopoly environment and solid profits. Even during the pandemic last fiscal year, it still generated close to \$6.8 billion of net income, which resulted in a payout ratio of 67%. Although the payout ratio was more elevated than usual, it was still sustainable.

Despite doubling from the pandemic market crash bottom in March 2020, Scotiabank stock remains fairly valued today. According to *Yahoo Finance*, 12 analysts have an average 12-month price target that suggests 5.6% near-term upside potential. So, its estimated 12-month total return is about 10%.

Importantly, the bank stock provides a safe and big dividend yield of 4.5% that passive-income investors sought after. Under normal economic conditions, the big Canadian bank can produce net income of about \$9.6 billion in a year. Consequently, its payout ratio would be about 48%.

If you're uncomfortable with BNS stock's full valuation, you can consider cheaper **Algonquin Power & Utilities**

([TSX:AQN](#))([NYSE:AQN](#)), which pays an even bigger dividend!

## Algonquin stock

Algonquin is a regulated utility and renewable power utility combined into one business. The latter is underpinned primarily by long-term power-purchase agreements. Therefore, both segments provide stable earnings or cash flows. Its regulated portfolio consists of natural gas, electric, and water and wastewater utilities. Its renewable portfolio is powered by hydro, wind, or solar energy.

As a smaller utility than regulated utilities like Fortis and Emera, Algonquin is able to grow at a higher rate. Specifically, management recently provided an adjusted earnings-per-share guidance of 7-9% annually for 2022 to 2026.

At writing, the utility yields 4.8%. [Algonquin](#) is shareholder-friendly, raising its dividend for a decade non-stop. Its 10-year dividend-growth rate is approximately 10%. According to *Yahoo Finance*, 12 analysts have an average 12-month price target that suggests 17% near-term upside potential. So, its 12-month total return is projected to be 22%.

## Earn \$500 per month in passive income

The dividend stocks provide an average yield of 4.65%. To get \$500 per month (or \$6,000 annually) from them, investors would need to invest about \$129,032. I wouldn't be worried if I started investing a new dividend portfolio in the two stocks. However, for bigger portfolios, they aren't sufficiently diversified to provide a secure passive income. *Investopedia* suggests holding 30 stocks as a rule of thumb.

### CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:BNS (The Bank of Nova Scotia)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
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