



3 Steps to Bring in \$1,000/Month in Passive Income

Description

There are a lot of articles out there touting passive income, and these days, it's something every is looking for. Motley Fool investors continue to flock to passive-income stocks in particular, as growth stocks go through a selloff.

But if you're just starting out, there's certainly nothing wrong with that. Whether you're new to passive income or just want to use up some extra cash for investments, I'm going to walk you through the three important steps to bring in substantial income. Yes, even up to \$1,000 per month.

Start small

This goes for any investment, including passive-income stocks. If you're new to a stock, you don't necessarily want to go all in. Or even make a significant investment. Sure, you won't reach that \$1,000 per month [immediately](#). But you also won't *lose* \$1,000 per month either.

So, instead, start small with your investment. This gives you the opportunity to keep on the safe side and see how your choice performs. In this volatile market, that's certainly a good thing to consider.

Then drip feed

Now as long as you're confident in your passive-income choice, you can then start drip feeding into it. If you're not familiar with drip feeding, it's a method of slowly investing in a company. You can do this through your automated payments into your investment portfolio. You could also use your passive income from your choice or other stocks to feed into it.

By doing this, you're slowly increasing your stake in the company, rather than making an investment all at once. Some days, you'll get a deal; others, you won't. But overall, you'll be creating more passive income to serve you down the line.

Choose the right stock

Of course, this all comes down to choose the right company. You want a passive-income stock that will be around decades from now — something that's seen steady growth and is unlikely to see a massive drop in share price for very long.

For that, I'd consider the Big Six banks, but of them, **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) offers both a solid deal, and a solid dividend. BMO recently increased its dividend by 25%. It now offers a yield of 3.59% and is likely to continue giving out major dividend increases to catch up because of the pandemic.

Yet this passive-income stock is a remarkable deal, trading at just 12.93 times earnings. And [analysts](#) give it a target price of \$156; therefore, it has a potential upside of 4% as of writing.

Bottom line

So, let's say you started this process. If you wanted to invest in BMO today and start bringing in \$1,000 right away, it's a large investment. That's \$335,995 as of writing. But let's say you drip feed, putting \$500 into the stock each month. By the end of the first year, you'd have \$16 a month. Now, let's fast forward. After a just 13 years, you could be bringing in \$14,906.58 per year in dividends, or \$1,242 a month based on historic levels! And that's all passive income for life.

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Date

2025/08/23

Date Created

2022/01/18

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