Passive Income: Generate $251 Every Month at the Click of a Button

Description

Legendary investor Warren Buffett once said that there was no premium for complexity in the stock market. In other words, some of the easiest and most simple investment strategies could deliver phenomenal results. This is why it's worth considering if there's an easy way to generate monthly passive income.

Here's what investors need to know.

Dividend stock picking

Active investing can't be boiled down to a single number. For instance, when you're looking for passive-income opportunities, it's tempting to focus only on the dividend yield. But the yield alone doesn't tell you the full story.

High yields can't be sustained when earnings drop or the company needs to tackle its debt. These payouts are also cut when we enter an economic crisis. The fact that commercial real estate investment funds cut their dividends during the pandemic is a prime example.

You also need to consider dividend growth. A 5% dividend yield is excellent, but if inflation is running at 5% annually, and the company's earnings are stagnant, your passive income will be eroded over time.

Put simply, investors need to do their due diligence and dig through the numbers to find the best dividend stocks. This is time-consuming and complicated. If you make more money from your day job as a lawyer or surgeon, perhaps it's better to outsource this due diligence to the managers of an exchange-traded fund (ETF).

Passive-income ETFs

Passive-income ETFs with monthly payouts could be the most convenient option for investors. **BMO Canadian Dividend ETF** (TSX:ZDV) is an excellent example. The ETF focuses on Canadian dividend stocks that have sustainable payout ratios, a track record of growth over three years, and, of course, an attractive yield.

The ETF was in fine form in 2021, slightly edging out the overall market by rallying 25% compared to TSX gains of about 20%. The momentum has shown no signs of fading away, even with the broader market coming under pressure amid monetary policy tightening concerns.

The ETF edge stems from the fact that it tracks the performance of some of the highest-paying Canadian dividend stocks, which can generate long-term capital appreciation. The ETF tracks all the five big Canadian banks in addition to other high-profile names such as **TELUS** and **Canadian National Railway**.

A dividend yield of about 3.7% is one of the highest in the ETF space. It generates a big chunk of its high dividends from gains in the banking telecom and energy stocks. Consequently, it can offer monthly distributions. The ETF also has a modest cost structure with a management expense ratio of about 0.39%.

Deploying a maxed-out Tax-Free Savings Account (TFSA) into this stock would generate $3,015 in annual dividends. That’s $251 every month in passive income. To be clear, I don’t recommend putting your entire TFSA into one stock (even if it’s an ETF), but this thought experiment should highlight how easy it is to generate passive income with a click.

BMO Canadian Dividend ETF is ideal for any investor seeking consistent high dividend and long-term price appreciation. Additionally, the ETF boasts of much lower volatility compared to the overall market.

Bottom line

You could generate passive income by focusing on high-quality dividend stocks, but that takes considerable research and frequent rebalancing. If you’d rather focus on your day job, a dividend ETF could be a better option.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:ZDV (BMO Canadian Dividend ETF)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn

4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. kduncombe
2. vraisinghani

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/08/31
Date Created
2022/02/17
Author
vraisinghani