



Passive Income: How to Make \$300 a Month Immediately

Description

You can search online to discover many ways to make passive income — income that doesn't require work to flow into your pocket. In reality, many methods require real work, at least initially. Since it requires work, you should find methods that suit you. For me, [dividend stock investing](#) works very well. Read on, and I'll show you some tips and how you can make \$300 a month immediately!

Most people who seek passive income want it now. If so, you'll need to identify dividend stocks that pay juicy yields, have sustainable payout ratios, and ideally increase their dividends over time.

Does the dividend stock pay a juicy yield?

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is one of the highest-yield dividend stocks on the **TSX**. And it's a big blue-chip stock with a market cap of over \$100 billion. Enbridge stock has increased its dividend for 26 consecutive years, and it's unlikely to stop raising its dividend in the foreseeable future.

It currently yields 6.55%. The Canadian stock market only yields about 2.55%. So, [Enbridge stock](#) provides about 2.5 times more in passive income. If that's not a juicy yield, I don't know what is. Generally, if you can get 1.5 to two times the market yield, that's a "juicy" yield. So, if you can get a yield of 3.8-5.1% today from solid dividend stocks, you're getting juicy income.

The energy infrastructure company reported its 2021 results earlier this month, including adjusted EBITDA of \$14 billion, up 5.5% versus in 2020. This resulted in roughly a 5.3% increase on a per-share basis. Its distributable cash flow climbed 6.4% to \$10 billion. Consequently, on a per-share basis, it's an increase of 6.2%. Growth in profitability is always a good thing, because it could drive healthy dividend increases.

To earn \$300 per month from ENB stock, an investor would need to invest about \$54,962. Notably, the passive income would be paid out on a quarterly basis.

Is the payout ratio sustainable?

Enbridge stock's 2021 payout ratio was about 67% of its distributable cash flow. This is a sustainable payout ratio for Enbridge, which targets a payout ratio between 60% and 70% of its distributable cash flow.

To determine if a stock's payout ratio is sustainable, you can compare its payout ratio to those of its peers in the same industry. Because these companies operate in similar environments, they are good comparisons.

Typically, the more unpredictable the profitability of a company is, the safer it is to have a lower payout ratio. For example, dividend stocks in the industrial sector tend to have lower payout ratios because they are accounting for economic cycles. At the low of a cycle, they could experience meaningful cuts to their profitability because of lower demand for their products.

Are you getting more passive income every year?

Ideally, you want to own dividend stocks that pay you more passive income every year *without* requiring you to invest more of your money. Let's be realistic. It can be difficult to save money every month or year. Sometimes, it's just impossible because of events in life. Therefore, it would be smart to buy dividend stocks that tend to increase their payouts every year. When you have a basket of such stocks, you're almost guaranteed an increase in passive income every year!

For a list of dividend stocks that tend to increase their dividends every year, start your research with Canadian Dividend Aristocrats. The top 10 Canadian Dividend Aristocrats with the longest dividend-growth streaks include **Fortis**, **Metro**, and **Canadian National Railway**.

The last takeaway is that you can only call it passive income if you can set it up and forget about it. You can only consider setting and forgetting your dividend portfolio if you pick low-risk stocks that pay safe and growing dividends. Ideally, though, you should review the portfolio at least once a year to see if any changes are needed.

CATEGORY

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