1 Ultra-Safe Passive-Income Stock for $3,600 in Annual Dividends

Description

Dividends or passive income — whatever you want to call it, it means the same thing. It's income that comes in every quarter, sometimes every month, just like a paycheque. Therefore, it's something Motley Fool investors are interested in — especially lately.

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Inflation, rising interest rates, and ongoing market instability created a volatile marketplace for Motley Fool investors to get into. Therefore, finding a safe passive-income stock is definitely ideal. But that doesn't mean you need to bring in low income. In fact, this ultra-safe passive-income stock has an insanely high yield of 7.2% as of writing.

A super-safe passive-income stock

If you're going to find a safe passive-income stock, looking at exchange-traded funds (ETF) is a great place to start. Finding companies that offer a portfolio entirely focused on dividends is the next place. But if you want practically guaranteed income, you want a company that devotes it's time pretty much solely to those dividends.

That's what you get with **BMO Canada High Dividend Covered Call ETF** (TSX:ZWC). On the one hand, shares don't really move all that much for ZWC. But on the other, you get an ultra-high yield of 7.2%. That yield gets dished out every single month for investors.

So, how much would you need to invest to bring in stable, strong annual income? Let's check it out.

The numbers

Right now, BMO trades at $19.95 per share. Honestly, it hasn't moved all that much beyond that since coming on the market in 2017, beyond the market crash in March 2020. It's important to note that. In the last year, shares have grown 14%. But now that it's back at that $20 range, shares seem to have stabilized.

Let’s say you’re using your Tax-Free Savings Account (TFSA) to make this investment. You have $81,500 available to invest. Let’s say you’re using $60,000 to invest in this stable passive-income stock. That would bring in $3,600 per year. That comes to $300 per month of income!

But it gets better

Creating that income is all well and good, and $3,600 is definitely amazing income to look forward to each year. However, you can make it better by reinvesting those dividends instead of cashing them out. Why? If you don’t need that income imminently, it’s far better to turn that cash into even more cash. And you can do that by putting it into this safe passive-income stock.

What happens is, your shares and returns grow larger and larger. Let’s say shares and dividends of BMO only grow by about 2%. That’s next to nothing, sure. But you then take that $3,600 and put it in the stock to buy up more shares for more dividends.

What you get is a $60,000 investment that, over the next 20 years, becomes a substantial amount of income without adding another penny of your own funds. A 20-year reinvestment plan turns into $285,938. If you want to wait until retirement as a millennial, for example, then a 40-year investment turns into a whopping $1,362,676!

So, never think that safe means low income. This investment plan just proves that reinvesting coupled with a safe passive-income stock can still make you millions.

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