



3-Step Passive-Income Strategy for Beginners: Generate \$19 Every Day

Description

The stock market is in an ideal position to deliver generous passive income. Valuations are lower now that prices have dropped. Meanwhile, some companies are seeing their fundamentals improve, despite the economic climate.

Here's how investors can spot these [undervalued opportunities](#) and generate roughly \$19 in passive income every day.

Step #1: Max out your TFSA

The easiest way to boost your passive income is to eliminate taxes on capital gains and dividends. Maximizing the contribution room in your Tax-Free Savings Account (TFSA) is perhaps the most important step for any income-seeking investor.

As of 2022, the maximum contribution room for eligible TFSA investors is \$81,500. Most investors never get close to the full amount. If you can accumulate this sum, you'll be in a better financial position than the majority of Canadian households.

However, \$81,500 isn't enough for financial freedom. The average dividend yield of 2-3% isn't sufficient. To generate \$19 in daily passive income, you may need to seek out high-yield dividend opportunities.

Step #2: Seek high-yield dividend stocks

Overlooked stocks tend to have higher dividend yields. Niche energy companies and small-cap mineral miners usually fit this description. However, these high-yield dividend stocks are extremely volatile. A sudden drop in energy prices or a turn in the commodity cycle could demolish your hopes of passive income.

Instead, niche real estate opportunities could be much more stable. **Slate Office REIT** (TSX:SOT.UN)

is a good example. The company owns and operates office units across North America and Ireland. 67% of the tenants in its 55 properties are either government agencies or corporations with high credit ratings.

Investing in office space was clearly unpopular during the COVID era, but now the trend is changing. Offices are seeing a revival, and rents are climbing higher, along with interest rates. That's what makes Slate Office REIT an ideal target.

The stock offers an 8.5% dividend yield. A fully maxed-out TFSA could generate \$6,970 in passive income from this stock. That's roughly \$19 a day over the course of a year.

Step #3: Collect passive income

High-yield dividend stocks like Slate should pay predictable cash payouts every quarter or every year. You could reinvest this cash to boost your TFSA. Reinvesting dividends at 8.5% could double your account in fewer than nine years. Considering capital appreciation, you could get there sooner.

Alternatively, you could collect your cash payouts for living expenses. \$19 a day, or \$6,970 a year, could be enough to cover multiple months of rent or mortgage payments.

Bottom line

Market corrections create passive income opportunities. As valuations decline, investors can expect a higher yield on invested capital. In 2022, these opportunities seem to be surfacing in the energy and commodities space. But I prefer niche real estate assets like Slate Office REIT.

Deploying funds from a maxed-out TFSA into such high-yield dividend stocks could unlock financial freedom.

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