



Got \$500? Turn it Into a \$1,000/Year Passive-Income Machine

Description

Canadians learned a tough lesson over the last two years. That lesson was that not every investment is a good investment. It's one we've had to learn over and over again — this time when the market dropped by 10.8% between the end of March and mid-May.

Unfortunately, while there has been some positive movement, the **TSX** today remains a place full of fear. Jitters fuel drops in the market, as interest rate hikes and inflation continue to rise. And whether you're just starting out or not wanting to put much down, it can be difficult to decide not just where but *if* you should invest.

But honestly, over time the right stocks trend upwards. That's the case with this passive-income stock that can produce \$1,000 per year — even from just \$500 to start.

Find that \$500

First off, let's figure out where you can create that \$500 income to invest in the first place. If you want to create passive income, that might mean you need cash right now. And with inflation rising along with interest rates, you need pretty much every cent of your cash on hand.

Furthermore, even if you have \$500 right now, that doesn't guarantee you'll have it available in the years to come. So, you need to come up with a place that you can create that income to invest in the TSX today.

To do that, figure out how much and when you can afford to put the necessary funds aside. For example, if you want to do this monthly, that would be \$41.67. If you would rather every paycheck, that's likely bi-weekly at \$20.83. That money starts accumulating quickly, but smaller numbers mean it will hurt far less.

Make it automatic

Now that you have the amount you're comfortable with, set up some automatic contributions towards the investment of your choice. This is where your long-term goals come into play. If you might need that cash sooner, I would recommend creating automatic contributions to your [Tax-Free Savings Account \(TFSA\)](#). But if you're looking for passive income in retirement, your Registered Retirement Savings Plan (RRSP) might be a better option.

Then it's time to choose a strong company to create that long-term passive income. And, of course, that means finding one that will continue not just producing dividends but increasing them. If you're investing on a consistent basis, it means your dividends will grow higher and higher. You can then use that cash to reinvest in your stock choice.

As this is a long-term investment for passive income, I wouldn't worry too much about when you invest. Now is a great time with the market down, but in the future don't stress about dips. Over time, strong companies trend upwards. And that should happen even if you don't buy on a dip.

A stock to consider

Arguably, the best passive-income stock out there right now is **Canadian Utilities (TSX:CU)**. This [utility company](#) is the *only* Dividend King on the TSX today. This means it's increased its dividend each year for the last 50 years. So, if you want consistent dividends that pay and increase, it's the one you want.

Canadian Utilities also has strong growth behind it, both in terms of its dividend and share price. Shares have grown at a compound annual growth rate (CAGR) of 5.26% over the last two decades. Meanwhile, dividends climbed at a CAGR of 6.65% during that time.

Bottom line

If you wanted to make that \$1,000 each year right away, it would mean investing \$21,910 on the TSX today in Canadian Utilities stock. If you were to invest just that \$500, it would pay out passive income of about \$23 — not very much.

But long term, with a consistent investing strategy, you can create substantial wealth along with \$1,000 per year. Based on the historical data above, you could see that \$1,000 annually in just 19 years. And that's with only investing \$500 each year and reinvesting your passive income as you go.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CU (Canadian Utilities Limited)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
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