



Got \$1,000? Create a Passive-Income Portfolio Primed for Retirement

Description

Motley Fool investors with only a little cash to spare shouldn't feel left out of the **TSX** today. There are significant opportunities, but I would understand if you don't want to invest much. Still, even with just \$1,000 you can create a passive-income portfolio that will be ready by retirement.

Get your RRSP in order

First off, let's start out with choosing a [Registered Retirement Savings Plan](#) (RRSP). There are multiple benefits, but the one we'll focus on here is that there are only a few instances where you can take out cash tax free. Even then, Motley Fool investors usually only have so long before they must pay it back.

Then you can take out your cash in retirement and have tax-free income all set up. And on the TSX today, there are multiple opportunities for those willing to set it and forget it. Or even set it, and reinvest passive income until they need it by retirement.

So, today let's assume you're a 30-year-old looking to use this cash by the time you retire at 65. That gives you ample time to create a passive-income portfolio, at 35 years. So, next, let's choose a strong stock.

A solid passive-income stock

If you want stability from both returns and passive income, then I would look at the [Big Six banks](#). These are companies that have been around for over 100 years, increasing dividends during that time. Furthermore, Canadian banks have provisions for loan losses. That means during recessions and market downturns, they're insured against major drops in revenue.

This will protect you during these periods of downturns. And that could be incredibly important in the future. We have no idea when the next downturns will happen. So, don't let a recession be the barrier between you and retirement. Instead, choose companies that will see you through.

In this case, I would consider the largest Big Six bank by market capitalization and pick **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)). Royal Bank has a market cap of \$177.63 billion as of writing. Shares are up 143% in the last decade, with a compound annual growth rate (CAGR) of 10.28%. It offers a dividend yield of 4.04%, that's grown at a CAGR of 7.73% on the TSX today.

Bottom line

Taken together, you can create a passive-income portfolio that will be ready for retirement in 35 years. Looking at historical performance, Royal Bank stock could turn that \$1,000 into over \$73,000 in 35 years, with passive income of \$1,311 per year! That's without adding another penny.

Now, if you were to add \$1,000 *more* each year, suddenly, that amount jumps significantly. If you reinvest dividends in your RRSP and add \$1,000 each year, you could have an incredible \$604,643 and \$10,843 in passive income in your RRSP by retirement!

CATEGORY

1. Dividend Stocks
2. Investing

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Date

2025/08/23

Date Created

2022/06/15
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