Newbie Investors: The 2 Best Options to Earn Habitual Passive Income

Description

Canadians, young and old alike, see the need to increase their income potential in 2022 due to ever-rising prices of goods and services. If you're not an old soul and are new to investing, you can't afford to be reckless with your money. The stock market is the marketplace to earn passive income, regardless of the economic environment.

The situation today is more volatile than in 2021, although it shouldn't discourage people from staying away from stocks. Newbie investors can still boost their personal finances provided they limit exposure to quality stocks, or so-called blue-chip assets.

Holding idle cash isn't the best option, because inflation will erode its value over time. Also, if you're eligible to own a Tax-Free Savings Account (TFSA), use the investment account for tax-savings purposes. More importantly, recurring income streams or dividends can help you cope with inflation better.

Option #1

Canadian big banks are solid investment choices. The giant lenders protected their turf during the global pandemic. They increased their provisions for credit losses (PCLs) in 2020 to ensure they emerged stronger from the fallout. In late 2021, the banks had a dividend parade to reward investors with payout increases.

This year is another acid test for the banking sector. The pandemic isn't 100% over, but the out-of-control inflation, supply-chain disruptions, and tightening monetary policies are significant headwinds. Bank stocks could be under in the second half of 2022, although the dividend payouts should be rock-steady and uninterrupted.

If you're chasing after a high yield, **Bank of Nova Scotia** (TSX;BNS)(NYSE:BNS) is the most generous. At $76.18 per share (-13.96% year to date), the bank stock trades at a discount and pays a fantastic 5.41% dividend. Canada's third-largest bank ($91.14 billion) has been paying dividends for 190 years.

Gabriel Dechaine, an analyst with **National Bank of Canada** Financial Markets, said it's possible for the big banks to bump up their PCLs due to an inevitable recession. The future dividend growth of BNS is uncertain, but a dividend cut is very unlikely. Management maintains less than 50% payout ratio.

Option #2

Pembina Pipeline (TSX:PPL)(NYSE:PBA) is the second-best option after BNS. Besides the hefty 5.54% dividend, the energy stock pays dividends every month. If you don't need the monthly passive income, you can re-invest it 12 times in a year for faster compounding of capital. If you invest today, the share price is $45.50 (+21.94% year to date).

The $25.22 billion oil pipeline operator benefits from rising crude prices. In Q1 2022, Pembina generated $655 million cash flow from operating activities, or 43.6% growth from Q1 2021. Net earnings increased 50.3% year over year to $481 million.

Because it expects higher crude oil and natural gas liquids prices to persist, management raised its 2022 adjusted EBITDA guidance to between $3.45 billion and $3.6 billion. Based on market analysts' forecast, Pembina could appreciate 16.3% in one year.

Income and protection

Stock investing has risks but investors mitigate them by buying shares of blue-chip companies. Newbie investors can do the same and stick only to BNS and Pembina. Besides earning passive, quarterly, or monthly income, the established, mature companies protect your personal finances.

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2. NYSE:PBA (Pembina Pipeline Corporation)
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