Passive Income: Earn $11.5/Day With These 2 Dividend Stocks

**Description**

Few stocks experience a substantial rise in the dividend yield because of an increase in dividends. In most cases, if the yield is going up, it's usually because the stock price is falling. And it's not alarming if there is a valid reason for the fall and a decent chance of recovery.



But if it's triggered by something fundamental, like a steady revenue decline, the dividends might be in trouble, because a business is more likely to prioritize its operations and debt repayment over paying dividends to the investors.

So, whenever you come across a high-yield dividend stock, it's a good idea to look into the *reasons* behind the high yield, especially if you are considering it for a passive income. If the company slashes its payouts or suspends the dividends entirely, the passive income you may be relying upon will take a hit.

## An iron ore stock

**Labrador Iron Ore Royalty** (TSX:LIF) is one of the highest-yielding stocks on the TSX and is currently offering a mouthwatering yield of about 13.1%. However, a stock price slump isn't the only catalyst behind this incredible yield.

The stock *is* trading at a 45% discount from its last peak, but it's not an unusually high slump, and there are quite a few dividend stocks with the same discount but not nearly the same yield.

It's a combination of two factors — a slump in price and generous payouts, which are not nearly as good as they were a year ago. The payouts for the first two quarters of 2022 are almost half what they were in 2021. And this theme can be traced several years back. Labrador has an inconsistent track record when it comes to payouts, but they are usually well above the industry norm.

So, if you start a passive-income stream with Labrador, you may experience fluctuations, but you may still get a better return on your investment than you would have with most other dividend stocks. At its current yield, you can start a daily passive income of above $7 if you invest $20,000 in the company.

## A mortgage company

A residential mortgage is a risky investment right now, considering the bear market direction of the housing market. But you might be relatively safe investing in a commercial "mortgage" lender like **Timbercreek Financial** (TSX:TF). The company offers short-term financing solutions to commercial real estate investors.

The benefit of short-term loans or mortgages is that the company's capital is not tied up for decades. Once it's free, the company can divert it to different avenues (ideally, more profitable ones).

The stock is currently modestly discounted. It's down 15% from its last peak and roughly 18% from its pre-pandemic peak. The 8.2% yield is relatively high, considering. And if you were to invest $20,000 in the company, you would get a daily income of about $4.5 at this yield.

## Foolish takeaway



With $40,000 invested in the two companies (split evenly), you may see a daily passive income of about $11.5. It's lower than the minimum wage in the country, but it's still a considerable amount, especially for a passive income.

And if you can't find a use for it in your daily life and for your routine expenses, you may invest it back in these or the other two dividend payers for an even more substantial passive income.

**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

1. TSX:LIF (Labrador Iron Ore Royalty Corporation)
2. TSX:TF (Timbercreek Financial Corporation)

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