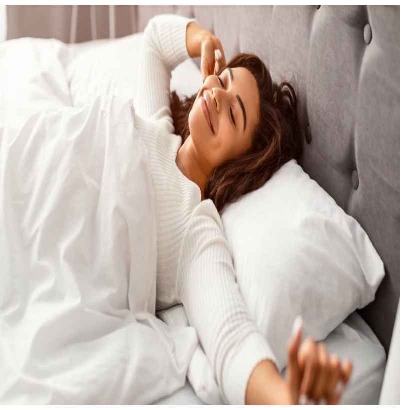

Need Passive Income? 2 TSX Stocks to Earn $500/Month Without Losing Sleep

Description

A passive-income stream boosts your financial situation and helps you achieve your financial goals quickly. So, for investors planning to start a passive-income stream, I recommend stocks over other forms of investments. The reason is simple. Stocks are cheap, and one can start investing, even with a small amount. Further, investing in stocks is relatively easy.

Though there is a risk element with equity, which is common to all forms of assets, stocks tend to outperform all asset classes in the long term. So, investors benefit from regular income and accumulate solid capital gains over time.

Luckily, several top Canadian companies pay reliable dividends, implying investors can bank on them without losing sleep. Against this backdrop, let's dig deeper into two stocks that could fetch you $500/month with a $100K investment. Let's begin.

Stock #1

Enbridge (TSX:ENB)(NYSE:ENB) stock is a must-have in your passive-income portfolio, and there are several solid reasons for that. It has paid a dividend for 67 years. Further, its dividend has grown at a CAGR (compound annual growth rate) of 10% in the last 27 years. Besides its solid dividend payment and growth history, Enbridge has a stable earnings base and diverse cash flow streams (about 40 cash flow streams) that will drive its future payouts.

What stands out is the resilience of Enbridge's payouts. It's worth mentioning that the COVID-19 pandemic took a massive toll on the energy sector, including Enbridge. While several energy companies announced dividend cuts, Enbridge consistently paid quarterly dividends and increased the same amid a challenging environment. This makes Enbridge a valuable company to invest in for regular passive income.

Enbridge's solid business, contractual arrangements, and diverse income streams enable it to generate steady distributable cash flow (DCF) per share, which covers its payouts.

Looking ahead, its solid mix of conventional assets and investments in green energy positions it well to capitalize on energy demand. Moreover, higher asset utilization, its inflation-protected earnings before interest, taxes, depreciation, and amortization, or EBITDA (about 80% of its EBITDA is inflation protected), and a multi-billion-dollar capital program augur well for future DCF/share.

It is also likely to benefit from the new assets placed into service and strong backlogs. Furthermore, its target dividend-payout ratio of 65% of DCF/share is sustainable in the long term. Investors can earn a dividend yield of 6.1% by investing in Enbridge stock.

Stock #2

Like Enbridge, **Keyera** (TSX:KEY) is also in the energy sector and is popular for returning substantial cash to its shareholders amid all market conditions. Notably, Keyera's fee-for-service energy infrastructure business generates stable and contracted cash flows, which provides a solid foundation for dividend payment and growth. Also, it helps the company to organically fund its growth projects, which is positive.

Its DCF/share increased at a CAGR of 8% since 2008. This has enabled Keyera to grow its dividend at a CAGR of 7% during the same period. Further, Keyera offers a high dividend yield of 6% at current levels.

Keyera's strong business model, robust balance sheet, low debt ratio (net debt/adjusted EBITDA multiple of 2.4 in 2021), and sector tailwinds will likely drive its DCF/share and support higher payouts.

It projects its adjusted EBITDA to increase at a CAGR of 6-7% through 2025, which will drive its DCF/share growth. Moreover, its payout ratio of 50-70% of DCF is sustainable in the long run.

Bottom line

On average, Enbridge and Keyera offer a dividend yield of 6%. Thus, an investment of $50K in each of these stocks could generate a passive income of $6,000 a year or $500/month.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:KEY (Keyera Corp.)

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