Worried About Retirement? Create Life-Long Passive Income Worth Thousands Each Year

Description

Canadian investors have been making investing really complicated lately. And it certainly can be if you're a professional that needs to make millions for a hedge fund each year. But if your goal is retirement, then investing could be a heck of a lot simpler.

In fact, if your goal is to create enough passive income each year to see you through retirement, then you can do that through dividends. And if you're young, starting now is always the best time. So, let's look at the numbers and see just how Canadian investors can stop worrying about retirement and take the easy path towards it.

Create a goal

We're going to look at an example here, but, first off, I suggest meeting with your financial advisor to come up with a goal for your retirement. That goal could be in combination with your other investments, such as a house. It could be in a decade or in 30 years. Everyone will be different.

But for the case of this example, let's say you want to bring in passive income of $40,000 each year. That's a lofty goal, but *anything* is possible — especially if you invest what you can on a consistent basis.

Working backwards, we'll have to then choose some stock options that could potentially get you to that amount. Now, again, this is for an example. Definitely don't put everything in one basket. But this will certainly show you that a $40,000 passive-income retirement goal is possible.

Get the right dividend stocks

Again, keep it simple. If you want your passive income to keep flowing through retirement, that means choosing blue-chip companies that will still be around. This is why I've been recommending to stay away from oil and gas. Even the Organization of Petroleum Exporting Countries (OPEC+) stated by

2040 oil usage will plummet. Instead, it's time to think elsewhere.

Some great places to look would be infrastructure, telecommunications, financial institutions, and, yes, energy, though perhaps clean energy instead. I feel infrastructure like water, waste, and other necessities are very secure options.

Brookfield Infrastructure Partners (TSX:BIP.UN)(NYSE:BIP) is an infrastructure company that's been around for decades, backed by the major asset manager. It has a 3.34% dividend yield, and, after an initial drop, is now up 9% year to date. So, today we'll use this solid stock as a choice for your investment.

Breaking it down

Let's say you put aside enough cash for your Registered Retirement Savings Plan (RRSP) each year to create this $40,000 per year. If you did this today, that would mean investing $978,495 — a huge amount. Instead of doing that all at once, let's break it down.

Let's say you're a 30-year-old who has 35 years before you want to think about retiring at age 65. To make over $40,000 per year, you could start out with an investment of $10,000 in Brookfield. Then each year, add an additional $3,000 to the stock and reinvest your passive income along the way.

After 35 years, you'll have surpassed your goal. With a compound annual growth rate (CAGR) of 20% and a dividend CAGR of 10.27%, you could have dividends of $47,343 each year after 35 years. Plus, you'll have a portfolio worth $6.14 million!

Foolish takeaway

Of course, there are bound to be hiccoughs along the way. But one thing is certain: by investing in the right companies, which are usually the easiest ones to find, you can certainly bring in life-long passive income — enough to see you through retirement and any problems on the path there.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred

6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. alegatewolfe
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/06/28
Date Created
2022/09/08
Author
alegatewolfe

Footer Tagline