



Cheap Investors: How to Create \$417 in Monthly Passive Income

Description

Investors looking for a cheap way to get into the market have a great opportunity on their hands. The **TSX** remains down in cheap levels, offering you a way to get into the market at low levels. But it gets even better if you want passive income.

While returns can fluctuate if you're looking just at a share price, passive income is steady and stable. What's more, if you're a cheap investor, you can use that passive income to buy up more shares. Even if you start out investing say \$30,000 of your own money, you can use that passive income to buy more shares.

Let's see how this might work if you're goal is \$417 in monthly passive income.

Choose the right stock

While returns can fluctuate, cheap investors certainly don't want their stocks to just fall altogether. That pretty much beats the purpose of passive income entirely. So, make sure you're choosing the right stock.

For me, that means choosing an industry that's set to be around for decades. There are multiple areas where you can find this, but health care is a great place to start. The healthcare sector will always be around, and so investing in [real estate](#) is a great way to gain access to this corner of the market.

NorthWest Healthcare Properties REIT ([TSX:NWH.UN](#)) is a perfect choice on the TSX. It offers a diversified portfolio of healthcare properties, ranging from office spaces to hospitals. These properties span the globe, with the company continue to purchase even more. So, it's a great choice for those seeking long-term passive income.

Make sure it's cheap

NorthWest stock is also a great option because it's cheap. That's despite stellar growth in earnings as

well as its portfolio and an average 14.1-year lease agreement from its properties. NorthWest stock currently trades at just 7.17 times earnings. Shares are down 5.26% year to date but are up 60% since coming on the market for a compound annual growth rate (CAGR) of 9.74%.

Add to that the company's dividend yield of 6.28%. Now, I'll be honest, that [dividend](#) hasn't grown since coming on the market. This is likely due to NorthWest stock using its available cash to buy up more properties. So, it likely won't be this way forever. Still, for the sake of this example, we'll pretend that the dividend remains exactly where it is at \$0.80 per share annually.

Making \$1,000

If you want passive income of \$5,000 per year and \$417 per month, NorthWest stock is a great option. To do that today, it would mean making an investment of \$78,438. That's definitely not for those wanting a cheap investment, and you certainly shouldn't sink almost \$80,000 into one stock

But let's say we use historical data to our advantage. We continue to see shares grow and use our current passive income to reinvest in NorthWest stock. Sure, it will take a long time, but we all have time. Furthermore, it means *far* less initial investment.

So, let's say instead you start out with an initial investment of \$30,000. You then decide to add \$2,000 of your own money each year and reinvest those dividends. Then you have enough space to put cash towards other investments, as you never should put all your eggs in one basket.

In that case, it would take you 40 years to reach that eventual goal and surpass it at \$5,260 per year and \$438 per month! Furthermore, based on historical performance, you could have a portfolio worth \$3.45 million! Then you have enough space to put cash towards other investments, as you never should put all your eggs in one basket.

CATEGORY

1. Dividend Stocks
2. Investing

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