



Got \$500? Create Passive Income of \$500 in Just 33 Years

Description

Investors who only have a little bit of cash to invest right now shouldn't be judged for their jitters. If you're a millionaire, it's easy to recommend putting money into the market at these low prices. After all, the **TSX** today is down by about 13%.

However, if you don't have much cash on hand, even \$500 could be used to create wealth in the years to come. In fact, you could eventually make \$500 per year in passive income! It all comes down to investing in the *right* stock.

The right stock

So, what constitutes the "right" stock? It should be a blue-chip company that has a long history of growth behind it. Further, there needs to be some sort of proof that investing in this stock will pay off in the future, and that there will always be a need for what the company offers.

With that in mind, I wouldn't go with [oil and gas](#) companies right now. The oil and gas industry has traditionally been the place to store cash, but this has shifted over the past few years. These companies have experienced an increase in volatility from near-term issues such as the oil and gas glut in Alberta and sanctions on Russian oil. And long-term, we're all moving towards renewable energy. So, I wouldn't recommend even a top growth stock in this industry.

Instead, I would look to the Big Six [Banks](#), specifically **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)). CIBC stock offers the highest dividend yield among Big Six peers. It also has the cheapest share price after its stock split. Further, it trades in value territory at just 8.73 times earnings.

How far can your \$500 get you?

How long would it take to create \$500 in passive income? Right now, CIBC stock offers a tasty dividend yield of 5.45%. To create \$500 in passive income per year, it would currently take an investment of \$9,144, which isn't bad to be honest.

However, if you only have \$500 to invest, you'd generate passive income of \$27.33. But you have time on your side, and lower share prices to boot. So, you're getting a huge deal compared to 52-week highs plus you can count on CIBC stock to rise to pre-fall prices just as it's done in every market downturn.

CIBC stock has grown its dividend by a 6.31% compound annual growth rate (CAGR) over the last decade. And you can likely look forward to more hikes. With this in mind, let's say you reinvest your dividend income again and again over the years, without adding another penny. In that case, it would take 33 years to reach annual dividend income of \$511.

How about shares?

In addition to dividend growth, shares of CIBC could also climb significantly. Let's say the stock *didn't* immediately return to its pre-fall prices and instead continued to grow at a CAGR of 10.6% as it has over the last 20 years. In that case, after 33 years, you'd gain more than just \$500 in passive income, you would also have a \$30,474 portfolio on your hands! All from just \$500.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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