



How Investing \$1,000 in October Can Generate \$102 a Year on Repeat

Description

There is a misconception that stocks are not safe and you'll lose money. The stock market has something for everyone. There are some people who are living in retirement in luxury from dividend money. They invested early in life in stocks and used compounding to make money from the dividends. The stock market is currently ripe for dividend investors, as the market downturn has pulled down the stock price of stocks with strong [fundamentals](#).

How to invest \$1,000 in October

A \$1,000 investment in October can help you secure as much as \$102 a year in passive income. Many high-dividend stocks bottomed out in October, creating an opportunity to lock in a high dividend yield.

Why buy TransAlta Renewables in October?

TransAlta Renewables ([TSX:RNW](#)) stock dipped 26% from its April high, inflating its distribution yield to 6.6%.

The stock is in a short-term downturn, as oil stocks have stolen the limelight amid the global energy crisis. But oil stocks have limited upside as their performance depends on oil prices. TransAlta is a long-term growth story, as the company builds wind and solar farms. Such renewable energy projects have received explicit government support in the journey to net-zero emission. Wind and solar farms are faster to build and easier to maintain.

TransAlta earns cash flow by selling electricity generated from wind and solar. Hence, its cash flows are unaffected by a recession, geopolitical tensions, or oil crises. As countries vouch for energy security, wind and solar farms would gain momentum because these resources, unlike oil reserves, are available in abundance. TransAlta stock will grow significantly when renewable energy becomes mainstream instead of an alternative.

In the meantime, TransAlta Renewables can continue paying monthly dividends and even start

increasing them once it achieves the scale.

Why buy True North Commercial REIT in October

True North Commercial REIT ([TSX:TNT.UN](#)) stock dipped 18% year to date, inflating its distribution yield to 9.6%.

The stock is falling as rising interest rates put downward pressure on inflated property prices. High-interest rates have made mortgages expensive, discouraging property buyers. Rising supply (new properties come to market) and falling demand is pulling down property prices.

Hence, True North Commercial's portfolio of 47 properties and its stock price are seeing a correction. However, rising inflation has increased its rental spreads, making up for the rent stagnation during the pandemic. Despite higher rent, its occupancy ratio remains at 96%, as 76% of its tenants are government and high-credit-ranking companies. This means the real estate investment trust's (REIT's) monthly distributions are safe.

True North is taking advantage of the weak market to buy more properties at a lower price. As the economy revives, the REIT's property portfolio will also surge, driving its stock price.

How to generate \$102 a year on repeat

The above two stocks pay monthly distributions and have been doing so regularly without any cuts since 2013. These stocks are in a downturn. If you invest \$500 each in these two stocks right now, you can lock in an annual dividend of \$81, or \$6.75 a month.

The two stocks have suspended their dividend-reinvestment plan, but you can reinvest \$81 in more dividend stocks and grow your passive-income portfolio. Some growing dividend stocks, like **Enbridge** and **Algonquin Power & Utilities**, trade below \$60 and have average dividend yields of 6%. You can buy one stock each for \$70 and add \$3.62 in annual dividends.

Enbridge and Algonquin have histories of [growing dividends](#) every year. It means your \$3.62 could grow to \$4.25 in five years. If you buy one of each stock every year with the \$81 dividend money, your annual passive income could grow to \$102 in five years.

What a \$1,000 investment can give you in five years

In five years, your \$1,000 investment in October 2022 can give you \$102 in annual passive income plus \$300 in capital appreciation. That's a 40% return in five years. And if you invest through the [Tax-Free Savings Account](#), you won't incur a tax liability on this \$402 investment income.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:RNW (TransAlta Renewables)
2. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)

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