



Here's How Much You'd Actually Have to Invest to Get Hundreds in Monthly Dividend Income

Description

Would you like to invest just \$10,000 and get hundreds of dollars in [passive income](#) back each and every month?

It sounds nice, but it's not likely to happen.

To get hundreds of dollars a month in dividend income on a \$10,000 investment, you'd need a yield above 10%. Not many stocks have yields that high. Stocks that do have such yields are usually very risky.

These days, passive income is a popular topic. A lot of people are struggling with inflation, and dividend stocks have been performing better than growth stocks this year. It's a 'perfect storm' of factors that's leading people to pursue dividend income. While it is true that dividend stocks pay out passive income, some people are chasing unreasonably high yields. That's extremely risky. In this article, I will explore how much money you'd need to invest to get hundreds of dollars in dividend income every month.

Between \$24,000 and \$48,000

At a reasonable yield, it would take you between \$48,000 and \$96,000 invested to get several hundred dollars in monthly [dividend income](#). Here's how the math on that works out:

- \$200 is the smallest multiple of \$100 that can be described as “several hundred.” Anything less than that is a hundred plus a fraction of 100, not “hundreds,” plural.
- \$200 per month is \$2,400 per year.
- The entire TSX stock market currently has an average yield of about 2.5%.
- 2.5% of \$96,000 is \$2,400.
- If you buy a diversified portfolio of Canadian REITs and pipelines—the highest-yielding stocks in the country—you’ll get about a 5% yield.
- 5% of \$48,000 is \$2,400.

So, you’ll need between \$48,000 and \$96,000 in order to get \$200 per month in passive income from a diversified portfolio. There are individual stocks that can get you there with smaller amounts invested, but you’re unlikely to get a yield higher than 5% while having adequate diversification. Diversification means holding several stocks instead of just one; it reduces your risk.

\$10,000? probably not happening

One thing that’s less likely to happen is getting several hundred dollars of passive income per month with just \$10,000 invested. This can be demonstrated pretty easily.

Enbridge Inc ([TSX:ENB](#)) is a stock with very high passive income potential. It has a 6.54% yield, which means you get \$654 in passive income back each year for every \$10,000 invested. Enbridge is a legitimate company. It has a very high yield, and its dividend has grown at [10% per year since 1995](#). ENB’s payout ratio (dividends divided by earnings) is a little too high, but if you calculate the payout ratio with cash flows in place of earnings, it’s not so bad (around 70%).

Basically, you can earn legitimate passive income by buying Enbridge. But if you want several hundred dollars in monthly passive income from Enbridge, you’ll need to invest about \$36,000 in it. That’s a lot more than \$10,000. If Enbridge keeps growing its dividend at 10% per year, then the dividends on a \$10,000 position in it could grow to several hundred per month eventually. It’ll take decades, though, and putting 100% of your money in just one stock is not a very good idea.

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