



3 Real Ways to Make \$500 in Monthly Passive Income

Description

If you read the financial media, you'll probably have noticed that a lot of people out there are promoting passive income opportunities. The exact amount of income promised varies: figures like \$500 or \$1,000 per month are common.

If you think these promises are too good to be true, you're mostly right. It is possible to get \$500 per month in [passive income](#) from investments, but it takes around \$200,000 in savings.

All tallied, \$500 a month is \$6,000 per year. If you invest \$100,000 at a 6% yield, you'll get your \$6,000 payout (assuming no disasters). However, 6% yields are very high, and they tend to indicate high risk. If you invest \$200,000 in dividend stocks, you can get \$6,000 a year/\$500 a month fairly safely. That only takes a 3% yield, which is about average for a dividend-paying Canadian stock. In this article, I will explore three real ways to make \$500 per month in tax-free passive income.

Guaranteed investment certificates (GICs)

There are two ways in which you could get \$500 per month in passive income from GICs:

- Invest \$120,000 in a 5% yield GIC right now, and collect \$126,000 in a year. The \$6,000 return averages out to \$500 per month.
- Invest \$10,000 in a 5% yield GIC every month from January 2023 to December 2023. You'll collect \$10,500 in every month of 2024, which is a \$500 return on each prior-year purchase.

Now you might be looking at the numbers above and thinking *"gee, that's a lot of money to invest just to get \$500 a month in passive income, isn't there a cheaper way to do this?"* The answer is yes and no. Without taking risks, it's no: you simply need to invest \$120,000 to get \$500 in risk-free, monthly passive income in Canada. And note that 5% is the highest yield currently available on a one-year GIC; anything with higher yields than GICs has risk. However, if you're willing to assume risk, then there is reason to think that, yes, you can get \$500 a month in passive income with less than \$100,000 invested.

Bond funds

A slightly risky way to get \$500 in monthly passive income is to invest in [monthly pay bond funds](#). These funds often have higher yields than treasuries, to compensate for their higher risk. The asset management company **PIMCO** has a number of bond funds that yield 10% per year. At that yield, you only need to invest \$60,000 to get \$500 per month in passive income. Buyer beware, though: some of the low-rated bonds in such funds are risky indeed.

Dividend stocks

High yield [dividend stocks](#) like **Enbridge** ([TSX:ENB](#)) can provide you with \$6,000 in annual passive income in exchange for you buying their shares. The way this works is, you buy the stock, and it pays you some of the underlying company's profit every month or quarter. Enbridge has a 6.5% dividend yield, which means you only need to invest \$92,307 in order to reach your \$6,000 per year dividend goal. Below you'll see a table that shows exactly how many ENB shares you'd need to buy to get \$6,000 in annual dividend income, which averages out to \$500 monthly.

Company	Recent Price	Number of Shares	Dividend	Total Payout	Frequency
Enbridge	\$52.40	1,686	\$0.89	\$1,500	Quarterly
Enbridge income scenario					

Now, Enbridge is a quarterly pay dividend stock, meaning that you get your dividends 4 times per year rather than 12. That doesn't matter much over the long run, but it does mean that you're technically getting \$1,500 quarterly here, not \$500 monthly. If you really need a monthly payout schedule, you could look at monthly pay pipeline stocks like **Pembina Pipeline**, which pay every single month.

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