



How to Invest \$5000 in 2023 for Safe Passive Income

Description

Whenever you invest for any type of passive income, there are always risks involved. Right now, the stock market is facing economic headwinds due to fast-rising interest rates and high inflation. This has accounted for the large amount of volatility in stocks in 2022.

Diversify for lower-risk passive income investing

One way to mitigate (not eliminate) these risks is to own a diversified portfolio of stocks. This includes owning stocks in different sectors and segments of the market. One can do this by buying exchange traded funds ([ETFs](#)) focused on specific sectors or just buying an [index fund](#).

However, if you don't mind being more active, you can often earn a higher yield by picking out your own portfolio of passive income stocks. By diversifying across several stocks, you can help hedge your risks.

Say you only have \$5,000 to invest, here are some ideas of where you can diversify to build a relatively safe passive income portfolio.

Real estate stocks

Forget owning a private investment property when you can buy [real estate investment trusts](#) (REITs). Right now, REITs trade with attractive dividend yields and attractive valuations. **Granite REIT** ([TSX:GRT.UN](#)) is a favourite because it is extremely defensive, but it also has a good pipeline of growth.

Granite owns a large portfolio of logistics and manufacturing properties in Canada, the U.S., and Europe. Industrial real estate has been a very strong market segment. That has supported 99% occupancy, fast rental rate growth, and high single-digit earnings growth in the past few years. It has a rock solid balance sheet.

Granite pays a nice 4.5% dividend yield, which it has steadily increased annually for the past 12 years.

Some other solid real estate stocks to consider for safe passive income are **Choice Properties REIT** (4.9% yield) and **Dream Industrial REIT** (5.4% yield).

Utilities for passive income

[Utilities](#) are a great place to seek passive income because of their defensive assets and often regulated stream of earnings. As one of the largest pure play [regulated](#) electricity and gas distribution utilities, **Fortis** ([TSX:FTS](#)) is a relatively safe stock for dividends. In fact, it is one of only a few Canadian stocks to have increased its dividend consecutively for 49 years!

While Fortis has a lot of debt to fund its capital-intensive business, most of it is fixed and long-dated. Consequently, Fortis should be able to continue to fund its capital expansion plan and still deliver mid-single-digit growth for several years ahead. Today, it pays a well-covered 4.1% dividend yield.

Some other Canadian utilities to consider for passive income include **Hydro One** (3% yield), **Canadian Utilities** (4.8% yield), or **Northland Power** (3.15% yield) for renewable power exposure.

Energy

Canadian energy stocks are well-known for their dividends. **Canadian Natural Resources** has one of the most defensive and predictable energy production businesses in Canada. Given its low-cost production, strong free cash flows, long-term reserves, and 20-plus years of history of dividend growth, its 4.5% dividend yield is quite sustainable.

Energy infrastructure is an even safer place to collect passive income. Stocks like **Enbridge** (6.77% yield) and **Pembina Pipeline** (5.7% yield) have defensive, contracted assets that support their dividends. **AltaGas** (4.77% yield) and **Brookfield Infrastructure Partners** (4.5% yield) are interesting for their diversified businesses, low-risk growth, and rising dividends.

The takeaway

After the market's decline, many stocks that produce passive income are [on sale](#). Other sectors to consider for passive income include railroads/transportation stocks, financials (banks and asset managers), or industrials. Hopefully, you come away with an idea of how to build a diversified, lower-risk portfolio of passive income stocks for 2023.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FTS (Fortis Inc.)
2. TSX:GRT.UN (Granite Real Estate Investment Trust)

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Date

2025/08/24

Date Created

2022/12/22

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