



## How to Generate \$500 in Passive Income Each Month

### Description

Higher interest rates have triggered a selloff in [dividend stocks](#) because fixed-income investments are now better able to compete with dividend stocks for income investors' capital. In the long run, carefully selected dividend stocks with quality businesses can outperform fixed-income investments because their returns and income potential depend on the underlying businesses.

Investors are now able to buy dividend stocks at good discounts. If you have a long-term investment horizon and can ride through market volatility, you can consider these attractive dividend stocks for income.

### Get passive income from this renewable utility

Renewable utilities is a great place to invest with growth opportunities over the next few decades! And **Brookfield Renewable Partners** ([TSX:BEP.UN](#)) is at the forefront of it. It is one of the largest pure-play renewable power platforms you can find on the TSX.

Its portfolio is diversified across technologies and geographies. Its high-quality assets include hydro (52% of portfolio), wind (21%), solar (15%), and distributed energy and sustainable solutions (12%). Its operating capacity is about 24 gigawatts. In comparison, its development pipeline consists of 102 gigawatts, which represents abundant long-term growth. Currently, it has about 43% of its capacity in North America, 31% in South America, 17% in Europe, and 9% in Asia.

Since 94% of BEP's cash flows are contracted, it's been able to grow its portfolio while paying out higher cash distributions to its unitholders for over a decade! Its 10-year cash distribution-growth rate is 5.7%. Going forward, BEP can continue increasing its dividend by at least 5% per year.

Notably, the [renewable energy stock](#) pays a U.S. dollar denominated cash distribution that yields almost 5% at US\$25.73 per unit at writing. Assuming a 5% increase based on its usual schedule in the first quarter, the forward yield is just north of 5.2%. The dividend stock is attractively valued. The consensus 12-month price target of US\$39.16 across 11 analysts suggests a substantial discount of 34%, which can translate to near-term upside potential of 52%!

## CIBC or BNS stock

The big [Canadian bank stocks](#) are also reliable for passive income. Currently, **Canadian Imperial Bank of Commerce** ([TSX:CM](#)) is a close tie with **Bank of Nova Scotia** ([TSX:BNS](#)) for the best-valued big Canadian bank stock. They both offer juicy dividend yields of just over 6.2%.

Both offer sustainable dividends with estimated payout ratios of about 50% in fiscal 2023. At \$54.65 per share at writing, CIBC trades at a discount of about 21% from its normal long-term valuation. BNS stock trades at a steeper discount of 31% discount.

The analyst consensus 12-month price targets suggest near-term discounts of 13% and 15%, respectively, for CIBC stock and BNS stock.

The Big Six Canadian banks reported their earnings recently. Within the group, CIBC and BNS have the lowest Common Equity Tier 1 ratios of 11.7% and 11.5%, respectively, which suggests they may be higher risk for the upcoming expected recession in 2023. However, the ratio is still sufficient for the 11.0% target outlined by the Office of the Superintendent of Financial Institutions regulator.

## How to generate \$500 in passive income each month

All three stocks discussed pay out quarterly cash distributions or dividends. Below, I've converted BEP's U.S. dollar-denominated cash distribution into Canadian dollars based on the recent foreign exchange rate between the two currencies.

Below, the dividend column displays the quarterly payouts. To generate passive income of \$500 each month (or \$6,000 per year) for each stock, here's roughly how many shares you'd need to own.

COMPANY	RECENT PRICE	NUMBER OF SHARES	DIVIDEND	TOTAL PAYOUT	FREQUENCY
BEP.UN	\$34.96	3,450	\$0.43	\$6,000	Quarterly
CIBC	\$54.67	1,765	\$0.85	\$6,000	Quarterly
BNS	\$66.16	1,456	\$1.03	\$6,000	Quarterly

If you want to earn \$2,000 in passive income per year from each stock above, divide the number of shares to buy by three.

### CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:CM (Canadian Imperial Bank of Commerce)

## PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
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7. Sharewise
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kayng

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