



The Thing Investors Routinely Forget About Passive-Income Stocks

Description

When Canadian investors think about passive-income stocks, they likely think about dividends. And they should! However, investors continue to forget that returns are part of this.

Today, I'll show you just how fast and how little you'll need to invest if you want to create passive income of \$1,000 a month in the next 10 years.

Pick a stable stock

I'll be using **BCE** ([TSX:BCE](#)) for this example. BCE stock has been around for decades, and in that time it has become a Dividend Aristocrat. That means it's increased its dividend every year for over 25 years!

Then there's the fact it's in [telecommunications](#). Not only is this a stable sector, but it's also a growing one. In the case of BCE stock this has been especially true, with the company now holding the fastest internet speeds in Canada! If you're looking for stability in passive income through dividends and growth, this is the way I'd go.

How much time and how much money?

If you need cash, that likely means you don't have all that much cash on hand to invest. That's fine! All it means is you need time in the market rather than *timing* the market, as newbies like to do. That's another great reason to consider BCE stock, as it's proven that it can rise higher and higher as the years go by.

Looking back in the last 20 years, shares of BCE stock had a [compound](#) annual growth rate (CAGR) of 8.87%. However, year-to-date shares are down 4%, trading at 19.3 times earnings as of writing. So, you get a discount on this solid company as well to hold long term.

Now, let's say you plan to simply max out your new contribution limit provided from your Tax-Free

Savings Account (TFSA) of \$6,000.

Putting it all together

In the case of BCE stock, an investment of \$6,000 at \$59.65 per share would get you about 101 shares as of writing. This would bring in \$371.68 in passive income through dividends per year at \$3.68 per share annually.

Now, let’s say you were to reinvest your dividends, aiming for \$1,000 monthly in returns and dividends, or \$12,000 annually. BCE stock has seen a CAGR of 8.87% in the last decade from shares and about 5.5% from dividends. However, shares should rise back to 52-week highs in the next year, giving you potential upside of 25% for the first year to consider.

Year	Shares Owned	Annual Dividend Per Share	Annual Dividend	Compound Frequency	After DRIP Value	Year End Shares Owned	Year End Stock Price	New Balance
1	101	\$3.65	\$368.98	quarterly	\$6,387.07	106.08	\$74.38	\$7,889.44
2	106	\$3.72	\$394.21	quarterly	\$8,285.95	110.96	\$80.98	\$8,985.28
3	110.96	\$3.92	\$435.44	quarterly	\$9,428.70	115.99	\$88.16	\$10,225.69
4	115.99	\$4.14	\$480.30	quarterly	\$10,714.53	121.08	\$95.98	\$11,621.54
5	121.08	\$4.37	\$529.07	quarterly	\$12,159.72	126.23	\$104.49	\$13,190.55
6	126.23	\$4.61	\$582.02	quarterly	\$13,782.27	131.43	\$113.76	\$14,952.27
7	131.43	\$4.87	\$639.45	quarterly	\$15,602.05	136.68	\$123.85	\$16,928.32
8	136.68	\$5.13	\$701.69	quarterly	\$17,640.99	141.97	\$134.84	\$19,142.53
9	141.97	\$5.42	\$769.05	quarterly	\$19,923.25	147.28	\$146.80	\$21,621.19

10	147.28	\$5.72	\$841.90	quarterly	\$22,475.47	152.63	\$159.82	\$24,393.27
11	152.63	\$6.03	\$920.62	quarterly	\$25,326.99	158	\$174.00	\$27,490.68
12	158	\$6.36	\$1,005.59	quarterly	\$28,510.15	163.38	\$189.43	\$30,948.57
13	163.38	\$6.72	\$1,097.24	quarterly	\$32,060.49	168.77	\$206.23	\$34,805.62
14	168.77	\$7.09	\$1,196.02	quarterly	\$36,017.14	174.17	\$224.52	\$39,104.40
15	174.17	\$7.48	\$1,302.39	quarterly	\$40,423.15	179.56	\$244.44	\$43,891.71
16	179.56	\$7.89	\$1,416.85	quarterly	\$45,325.80	184.95	\$266.12	\$49,219.00
17	184.95	\$8.33	\$1,539.93	quarterly	\$50,777.09	190.33	\$289.73	\$55,142.82
18	190.33	\$8.79	\$1,672.18	quarterly	\$56,834.11	195.69	\$315.42	\$61,725.28
19	195.69	\$9.27	\$1,814.20	quarterly	\$63,559.57	201.03	\$343.40	\$69,034.60
20	201.03	\$9.78	\$1,966.59	quarterly	\$71,022.31	206.35	\$373.86	\$77,145.68
21	206.35	\$10.32	\$2,130.03	quarterly	\$79,297.87	211.64	\$407.02	\$86,140.69
22	211.64	\$10.89	\$2,305.20	quarterly	\$88,469.13	216.89	\$443.13	\$96,109.81
23	216.89	\$11.49	\$2,492.85	quarterly	\$98,627.01	222.11	\$482.43	\$107,151.95
24	222.11	\$12.13	\$2,693.73	quarterly	\$109,871.18	227.28	\$525.22	\$119,375.56

As you can see, by investing over 24 years and seeing the expected growth based on past performance, you could have a portfolio of \$119,375.56. Compared to the year before, dividends and returns create a total of \$12,223.61, giving you monthly income of about \$1,018!

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Author

alegatewolf

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