How to Earn $500 in Passive Income Each Month in 2023

Description

After a brutal year in 2022, investors are expecting the markets to rebound in the next 12 months. However, a period of rising interest rates, inflation, and geopolitical tensions is expected to weigh heavily on investor sentiment in the near term.

But as market timing is impossible, the ongoing selloff should be viewed as an opportunity to buy quality stocks at a discount and benefit from attractive dividend yields. Canadian stock market investors can earn $500 in monthly dividend income, amid all this market turbulence, by purchasing shares of blue-chip companies with predictable cash flows. Let's see how.

Bank of Nova Scotia

One of the largest banks in Canada, **Bank of Nova Scotia** (TSX:BNS) is trading 30% below all-time highs, increasing its dividend yield to 6.2%. While investors are worried about lower credit demand and higher delinquency rates impacting Canadian banks in 2023, a rising interest rate environment should drive profit margins higher.

COMPANY	RECENT PRICE	NUMBER OF SHARES	DIVIDEND	TOTAL PAYOUT	FREQUENCY
Bank of Nova Scotia	$66.34	497	$1.03	$512	Quarterly
TC Energy	$53.98	611	$0.90	$550	Quarterly
Telus	$26.13	1,263	$0.35	$442	Quarterly

BNS is part of a cyclical industry, but its strong balance sheet has allowed the financial giant to increase the dividend by 8.54% annually in the last 20 years.

Bank of Nova Scotia generates around 50% of its earnings from Canada and the rest from South and Latin American markets, including Mexico, Chile, Peru, and Columbia, providing shareholders with diversified exposure to several emerging markets.

BNS stock is priced at a discount of 20% to average analyst estimates. After accounting for its dividend yield, total returns will be closer to 26%.

TC Energy

One of the largest pipeline companies in Canada, **TC Energy** (TSX:TRP) should be on the shopping list of most income-seeking investors. Its annual returns have averaged 12% since 2000, and TC Energy currently offers investors a dividend yield of 6.7%.

As most of its cash flows are backed by long-term contracts and indexed to inflation, TC Energy has increased dividends by 6.6% annually in the last two decades. The energy heavyweight has allocated $34 billion towards capital expenditures through 2028, which should expand its base of cash-generating assets and support higher payouts in the future.

Telus

The final stock on my list is one of Canada's largest telecom companies: **Telus** (TSX:T). Down 24% from all-time highs, the dividend yield for Telus is close to 5.4% right now. The telecom sector is fairly recession resistant, allowing Telus to generate cash flows across market cycles.

Due to the company's steady cash flows and strong balance sheet, Telus has increased dividend payouts at an annual rate of 11.8% since January 2003.

Analysts tracking Telus expect it to increase sales from $17.3 billion in 2021 to $20.4 billion in 2023. Its adjusted earnings are also forecast to increase from $1.07 per share to $1.43 per share in this period.

Valued at 18.3 times forward earnings, Telus is trading at a discount of 27% to consensus price target estimates.

The Foolish takeaway

An investment of $33,000 in each of these three stocks will help investors generate $6,000 in annual dividends, translating to $500 a month. Further, if companies increase dividends by 7% annually, their dividend payouts will double in the next 10 years.

You can identify similar blue-chip companies on the TSX and create a portfolio of dividend stocks over time.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BNS (Bank Of Nova Scotia)
2. TSX:T (TELUS)
3. TSX:TRP (TC Energy Corporation)

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