



## How to Generate \$500 in Passive Income and \$368K in Returns

### Description

Passive income is something every investor is interested in, especially right now. Today, I'm going to show you just how much you can lock in — first, by investing to create \$500 per year and eventually moving up to \$500 per month.

### Find the right stock

If you're looking for a passive-income stock, you'll want a strong, monthly payer that's bound to be around within the next decade. Today, I'm going to focus on **Peyto Exploration & Development** ([TSX:PEY](#)). The main reason? The company has an incredibly high dividend yield at 10.73% as of writing. Yet it remains in value territory trading at 6.3 times earnings.

Of course, part of the reason this stock has a high yield and cheap price is, it's in the [oil and gas sector](#). This sector had a wild ride in the last year, but the company is starting to show improvements in the last few months. Passive-income seekers wanting more returns and a lock-up of this yield should do so soon.

### Start off with \$500 per year

To start, let's say you're an investor who wants to create \$500 in passive income each year. Right now, Peyto stock's 10.73% [dividend yield](#) comes to \$1.32 per share annually. This would mean to create \$500 in income annually, you would need about 378 shares.

Here's how that works out below in terms of how much you would need to invest as well.

COMPANY	RECENT PRICE	NUMBER OF SHARES	DIVIDEND	TOTAL PAYOUT	FREQUENCY	TOTAL INVESTMENT
PEY	\$12.59	378	\$1.32	\$500	Annually	\$4,759.02

As you can see, to create that \$500 per year, an investment of \$4,759 doesn't really break the bank. However, it might if you're seeking \$500 per *month*. Let's look at how much you'd need to invest to get there.

COMPANY	RECENT PRICE	NUMBER OF SHARES	DIVIDEND	TOTAL PAYOUT	FREQUENCY	TOTAL INVESTMENT
PEY	\$12.59	4,545	\$1.32	\$500	Monthly	\$57,221.55

## Making it monthly

As you can see, that's a far larger investment. Now, if you were to reinvest that \$500 each year, let's see how long it would take to reach \$500 per month in passive income. From there, you decide to put an additional \$1,500 into Peyto stock. Based on its historical data, it would take 23 years to reach \$6,003 in annual passive income, or \$500 each month.

Year	Shares Owned	Annual Dividend Per Share	Annual Dividend	After DRIP Value	Annual Contribution	Year End Shares Owned	Year End Stock Price	New Balance
1	378	\$1.34	\$505.41	\$5,289.77	\$1,500.00	523.71	\$13.94	\$7,298.98
2	523.71	\$1.36	\$714.23	\$8,046.14	\$1,500.00	669.36	\$15.43	\$10,327.13
3	669.36	\$1.39	\$931.13	\$11,297.71	\$1,500.00	814.01	\$17.08	\$13,902.72
4	814.01	\$1.42	\$1,155.00	\$15,102.73	\$1,500.00	956.82	\$18.91	\$18,090.32
5	956.82	\$1.45	\$1,384.78	\$19,524.73	\$1,500.00	1097.02	\$20.93	\$22,960.39
6	1097.02	\$1.48	\$1,619.45	\$24,633.23	\$1,500.00	1233.96	\$23.17	\$28,589.99
7	1233.96	\$1.51	\$1,858.03	\$30,504.39	\$1,500.00	1367.09	\$25.65	\$35,063.51

8	1367.09	\$1.54	\$2,099.65	\$37,221.76	\$1,500.00	1495.93	\$28.39	\$42,473.56
9	1495.93	\$1.57	\$2,343.49	\$44,877.23	\$1,500.00	1620.13	\$31.43	\$50,921.91
10	1620.13	\$1.60	\$2,588.82	\$53,571.91	\$1,500.00	1739.41	\$34.79	\$60,520.55
11	1739.41	\$1.63	\$2,835.00	\$63,417.22	\$1,500.00	1853.56	\$38.52	\$71,392.92
12	1853.56	\$1.66	\$3,081.47	\$74,536.08	\$1,500.00	1962.45	\$42.64	\$83,675.13
13	1962.45	\$1.70	\$3,327.76	\$87,064.22	\$1,500.00	2066.03	\$47.20	\$97,517.45
14	2066.03	\$1.73	\$3,573.47	\$101,151.56	\$1,500.00	2164.29	\$52.25	\$113,085.92
15	2164.29	\$1.76	\$3,818.29	\$116,963.86	\$1,500.00	2257.27	\$57.84	\$130,564.05
16	2257.27	\$1.80	\$4,061.97	\$134,684.44	\$1,500.00	2345.05	\$64.03	\$150,154.80
17	2345.05	\$1.84	\$4,304.32	\$154,516.12	\$1,500.00	2427.74	\$70.88	\$172,082.69
18	2427.74	\$1.87	\$4,545.22	\$176,683.34	\$1,500.00	2505.49	\$78.47	\$196,596.19
19	2505.49	\$1.91	\$4,784.60	\$201,434.52	\$1,500.00	2578.46	\$86.86	\$223,970.31
20	2578.46	\$1.95	\$5,022.42	\$229,044.68	\$1,500.00	2646.83	\$96.16	\$254,509.50
21	2646.83	\$1.99	\$5,258.71	\$259,818.30	\$1,500.00	2710.79	\$106.45	\$288,550.82
22	2710.79	\$2.03	\$5,493.52	\$294,092.52	\$1,500.00	2770.55	\$117.83	\$326,467.46

23    2770.55    \$2.07    \$5,726.91    \$332,240.64    \$1,500.00    2826.31    \$130.44    \$368,672.66

You'll also notice you now have a portfolio worth \$368,672.66 based on this historical performance! In the case of Peyto stock, I want to mention that this company has cut its dividend in the past. So, I wouldn't exactly call it the safest and most secure investment for dividend passive income. That being said, it's a great example to show how you can lock up long-term passive income for years.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. TSX:PEY (Peyto Exploration & Development Corp)

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## Date

2025/09/04

## Date Created

2023/01/11

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