



How to Invest \$500/Month Now and Get it Back as Passive Income in 2033

Description

The rising inflation and slowing economic growth have pulled even aggressive investors to income stocks. Many have red scars from buying meme stocks near their peaks. In the hope of recovering their loss and starting slow and steady, some have chosen the path to passive income. Instead of letting the stock market determine your returns, you can decide how much you want to earn. How? Reverse engineer your way. Depending on the available stocks, invest where you get the desired return.

How much to invest to earn \$500 a month in passive income?

You have a Tax-Free Savings Account ([TFSA](#)) limit of \$6,500. Assuming you invest \$500 a month in 6% dividend stocks for 10 years. Your \$60,000 investment can give you \$300 in monthly passive income. But you can increase this income to \$500 from the same \$60,000 investment. How?

You have two options:

- Either take the dividend and invest it in other stocks that offer higher yields. It can help you diversify and grow your portfolio's yield above 6%.
- Or you can invest in dividend-reinvestment plans (DRIP) in which the company reinvests the dividend to buy additional stocks at a discounted price.

Where to invest \$500 a month

With the \$6,500 limit, you can invest \$250 per month in two Dividend Aristocrats and compound your returns. Plus, you can keep the extra \$500 aside for opportunistic buying.

TC Energy

Oil and gas pipeline company **TC Energy** ([TSX:TRP](#)) has been in the news for its Keystone pipeline's

22 leaks. The company is moving away from oil and focusing on gas pipelines, as it taps the opportunity to export liquefied natural gas (LNG) to Europe. In December 2022, the stock fell 15% after the Keystone pipeline recorded its biggest leak.

The leak will take a toll on TC Energy's short-term profits, as the pipeline accounted for about 12% of its comparable EBITDA (earnings before interest, taxes, depreciation, and amortization) in the third quarter.

But the undamaged parts of the pipeline have resumed operations. The leak won't impact TC Energy's long-term cash flows that come from several sources, majorly gas pipelines. The company might not cut dividends and lose its Dividend Aristocrat status. In the worst-case scenario, TC Energy might slow its [dividend growth](#) from 7% CAGR. Last year, the company grew its dividend by 3.4%, its slowest growth since 2011. Later, it might improve its dividend-growth rate as its LNG projects come online.

Stock Ticker	TRP	BCE
Current Price	\$55.81	\$61.18
Total Invested Amount in 10 years	\$30,000	\$30,000
Number of Shares in 2033	538	477
Dividend Per Share in 2033	\$5.86	\$5.99
Total Dividend Income	\$3,152.68	\$2,857.23

DRIP calculation

TC Energy's current dip is an opportunity to lock in a 6.88% dividend yield, as this dividend is here to stay. A \$250 investment per month in its DRIP for the next 10 years can buy you 538 shares by 2033. Assuming a 5% dividend CAGR, the dividend per share might grow to \$5.86 by 2033 (from \$3.6 in 2022). If you collect dividend money in 2033, you can get an annual passive income of \$3,152 (\$5.86 x 538 shares).

BCE

BCE ([TSX:BCE](#)) is riding the [5G](#) wave and is closer to completing its accelerated capital spending. The fifth-generation technology will offer high-speed internet with low latency to artificial intelligence (AI)-led devices like drones, robots, and cars. It will open new markets to earn subscription revenue. Moreover, the company has widened its reach to include more subscribers in remote areas. More subscribers will bring more cash flows and cross-selling opportunities.

BCE has a 10-year dividend CAGR of 5%, and it can maintain or even grow this rate as 5G opens up roads for autonomous cars and smart cities. A \$500 monthly investment in BCE's DRIP can help you buy 477 shares by 2033. A 5% CAGR can grow its dividend per share to \$5.99 by 2033, giving you an annual dividend income of \$2,857.

The above two stocks will diversify the risk across two sectors and keep your dividend income flowing.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BCE (BCE Inc.)
2. TSX:TRP (TC Energy Corporation)

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3. Koyfin
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