3 Legit Ways to Make $105 in Monthly Passive Income

Description

Are you interested in earning monthly passive income? It's possible to do so, although the amount will be pretty modest starting out. In a recent article, I shared how I was earning $1,255 per year (about $105 per month) on a $82,000 portfolio. Assuming you own a mix of dividend and non-dividend paying stocks, this is about the kind of result you can expect. If you go with nothing but dividend stocks that yield 3%, you could get about $2,460 per year ($205 per month) with the amount of money I have invested. That's not the strategy I'd recommend, though: some of the best stocks don't pay dividends. Warren Buffett's **Berkshire Hathaway**, for example, has never paid a dividend in its entire history.

The big picture here is that it is possible to make monthly passive income, though it'll take a large chunk of change in order to do it. In this article, I will explore the three asset classes you can invest in to generate passive income.

Dividend stocks

Dividend stocks are probably the assets that readers of this article will be most familiar with. About half of the passive income I get comes from **Toronto-Dominion Bank** (TSX:TD) stock. The majority of the rest of it comes from other dividend-paying stocks.

Dividend stocks pay shareholders a portion of the profits earned by the corporation that issues the stock. To take TD stock as an example, TD is a financial services company that issues loans, pays deposit interest, helps people trade securities, and issues insurance. When TD has more loan interest coming in than deposit interest going out, it has profits it can pay to shareholders. When its brokerage and insurance operations turn profits, that adds to the profit TD can pay to shareholders. It all adds up to a very lucrative business that can pay big dividends.

Interest-paying bonds

Next up, we have corporate bonds that pay quarterly, semi-annual, or annual interest. These are hard to buy directly but you can invest in them through bond funds like the **PIMCO Dynamic Income Fund** (NYSE:PDI

). PDI is a U.S. fund that has an average yield of 13.88%. If you invest $100,000 in it, you get $13,880 in passive income back each year if things go well. Things might not go well: PIMCO has to invest in some pretty risky bonds to get its 13.88% yield. But the *potential* for passive income is certainly there.

Term deposits

Finally, we have term deposits. These are short-term bond-like investments offered by banks. In Canada, they're called Guaranteed Investment Certificates (GICs). I recently invested a few thousand dollars into a GIC with a 5% yield, which increased my annual passive income a fair bit. Term deposits/GICs haven't had very high yields for most of the last decade, but now, with the Bank of Canada raising interest rates, they do have reasonably high yields. Currently, the yield offered is below the inflation rate, but if the Bank succeeds in getting the inflation rate down, then the 5% you can get today might be worth it when your GIC matures in one year.

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