



## How to Generate \$500 in Passive Income Each Month

### Description

The Bank of Canada just raised the policy interest rate again this week — this time by 0.25%. Including the rate hikes last year, the central bank has increased the interest rate by 4.25% in this capital-tightening cycle.

That's a lot to absorb for Canadians and Canadian businesses that have high debt levels, particularly those with variable interest rates. Thankfully, since the peak of 8.1% in June 2022, the inflation rate has been on a decline. So, the bank will hold off rate hikes for now.

Currently, the policy interest rate sits at 4.5%. Higher interest rates aren't necessarily bad for Canadian investors. They provide opportunities to buy quality dividend stocks at lower valuations and juicier passive income. Canadians can use the passive income to help pay the bills.

### Get passive income from this telecom

Big Canadian telecom **TELUS** ([TSX:T](#)) is a defensive [dividend stock](#) for passive income. It has a track record (almost 20 consecutive years) of dividend increases. For reference, its five-year dividend-growth rate is 6.6%.

At a glance, its last dividend hike of 3.7% appears low. However, investors should note that the company tends to increase its dividend semi-annually. So, it'd be much more telling to observe its trailing 12-month dividend increase of 6.7%, which aligns beautifully with its five-year growth rate.

Management also seems devoted to increasing its dividend by about 7-10% annually through 2025. Raising dividends is a good way to keep long-term shareholders, who are able to earn growing passive income that beat the long-term rate of inflation.

TELUS stock's dividend yield is not excessively high in the current macro environment, which suggests it's not a high-risk stock. Indeed, it does have a below-market beta and an investment-grade balance sheet.

At \$28.55 per share at writing, TELUS stock trades more than 17% lower than its 52-week high. Analysts believe the stable dividend stock is undervalued by about 12%. Importantly, it yields 4.9%, paid out as quarterly dividends. Its payout ratio is estimated to be sustainable at about 58% of net income.

## Earn more passive income from BNS stock

If you need more passive income with less investment dollars, big Canadian bank stock **Bank of Nova Scotia** ([TSX:BNS](#)) stock is a good choice. Its dividend yield of 5.8% is double that of the market's yield of 2.9%.

The new chief executive officer Scott Thomson will come in starting next week. He would start a new era for the bank. The bank stock's valuation is in his favour. So, he has a good chance of driving outsized total returns in BNS stock over the next three to five years.

At \$71.20 per share at writing, the [bank stock](#) trades at about 8.5 times this year's estimated earnings. This is a decent discount of approximately 25% from its long-term normal valuation. Its payout ratio is projected to be sustainable at roughly 50% of earnings this year.

## How to generate \$500 in passive income each month

The dividend stocks discussed pay out eligible dividends every quarter. This income is favourably taxed in non-registered accounts. Below, the dividend column displays the quarterly payouts. To generate passive income of \$500 each month (or \$6,000 per year) for each stock, here's roughly how many shares you'd need to own.

	COMPANY	RECENT PRICE	NUMBER OF SHARES	DIVIDEND	PAYOUT	FREQUENCY
T		\$28.55	4,272	\$0.35	\$500	4
BNS		\$71.20	1,456	\$1.03	\$500	4

If you want to earn \$3,000 in passive income per year from each stock above, divide the number of shares to buy by two.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:BNS (Bank Of Nova Scotia)
2. TSX:T (TELUS)

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