



How to Safely Generate \$1,000 of Passive Income in 2023

Description

Building an [investment portfolio](#) that generates safe, predictable passive income is not easy, but it is certainly possible. Most dividend-paying stocks fell drastically in 2022.

While the market has rallied so far in 2023, there continues to be decent opportunities to invest in stocks for passive income. Likewise, with interest rates rising, there are good opportunities in fixed income and GICs (Guaranteed Investment Certificates).

With as little as \$24,000, investors can earn \$1,000 or more of passive income this year. Here's one hypothetical portfolio that could do that.

A 5% GIC for guaranteed passive income

If you are extremely risk averse, GICs are an easy investment for passive income. They lack the liquidity, capital upside, and tax efficiency of a stock. However, they are easy to buy, they have zero risk of capital destruction, and their interest is guaranteed (if you hold it through the entire term).

Right now, [online banks](#) such as **EQ Bank** are offering 5% GICs for one-year terms. If you put \$6,000 into a 5% one-year GIC today, you would end the year with \$6,300 (or \$300 of interest). While this return is hardly exciting, it is guaranteed as long as you hold it to the end of the term. For tax efficiency, hold these types of GICs in a [Tax-Free Savings Account \(TFSA\)](#) or Registered Retirement Savings Plan (RRSP).

Fortis: A dividend-growth legend

If you don't mind stepping out slightly on the risk spectrum, **Fortis** ([TSX:FTS](#)) is a good stock for [safe](#) passive income. Fortis operates a resilient and predictable portfolio of transmission and distribution utilities across North America. Natural gas and power are essential services people rely on to heat/cool and power their homes and businesses. As a result, Fortis captures a stable baseline of earnings.

Fortis has predictably increased its dividend for 49 consecutive years. It will be considered a “Dividend King” if it increases its dividend in 2023 (which is likely). Not many Canadian companies have such a solid track record. It isn’t likely to stop anytime soon.

Fortis stock yields a 4.11% dividend today. A \$6,000 investment in Fortis would earn \$61.59 quarterly, or \$246.34 annualized.

TELUS: A stable telecom

TELUS ([TSX:T](#)) is another relatively low risk investment for passive income. Like Fortis, it provides crucial internet, cable, and cellular services across Canada. It is Canada’s second-largest telecommunications business. Due to the smart build-out of its fibre optic and 5G network, it has been gaining strong market share over the past few years.

TELUS has increased its annual dividend by a +7% rate for almost a decade. It is targeting 7-10% annual dividend growth for the coming few years.

TELUS stock yields 4.95% today. Put \$6,000 to work with TELUS, and you would earn \$73.85 of quarterly passive income. That equals \$295 annually for this year, but that is likely to grow over time.

Granite REIT: Real estate for passive income

Another safe place to find income can be in [real estate](#). Industrial real estate has done particularly well over the past several years. **Granite REIT** ([TSX:GRT.UN](#)) is one of the safest real estate investment trusts (REITs) you can find for passive income. It has a portfolio of institutional quality manufacturing, warehousing, and logistics properties in Canada, the U.S., and Europe.

Its average lease term is 5.7 years. Occupancy sits at 99%. Its portfolio is very defensive. This is complemented by a sector-leading balance sheet that is defensively structured with low leverage.

Granite has raised its distribution for 12 consecutive years. Today, it yields 3.89%. A \$6,000 investment in Granite stock would earn \$19.20 of monthly passive income, or \$230 annually.

COMPANY	RECENT PRICE	NUMBER OF SHARES	DIVIDEND	TOTAL PAYOUT	FREQUENCY
1 Year 5% GIC	N/A	6,000	\$300	\$300	Annual
Fortis	54.75	109	\$0.565	\$61.59	Quarterly
TELUS	28.40	211	\$0.35	\$73.85	Quarterly
Granite REIT	82.35	72	\$0.267	\$19.20	Monthly

Price as of January 27, 2023

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:EQB (EQB)
2. TSX:FTS (Fortis Inc.)
3. TSX:GRT.UN (Granite Real Estate Investment Trust)
4. TSX:T (TELUS)

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Date

2025/06/27

Date Created

2023/01/30

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