



5 Real Ways to Get \$500/Month in Passive Income

Description

If you want to get \$500 a month in passive income, you're going to need to do a lot of saving. As I showed in a recent series of articles, I'm getting \$105 per month on an \$82,000 portfolio. Unless you own only dividend stocks and bonds, this is about typical.

You could get \$250 a month or so on a \$82,000 portfolio if you only invested in high-yield stocks, but there are risks in avoiding promising non-dividend stocks. Nevertheless, you can get to \$500 a month in passive income if you try.

In this article, I will explore five separate ways to get to \$500 per month in passive income.

Dividends

One way you can get passive income is by investing in high-yield [dividend stocks](#). The average yield on the TSX stock market today is about 2.5%, so you'd need \$240,000 saved to get to \$500 a month. However, if you invest in high-yield stocks like **Enbridge** ([TSX:ENB](#)), you could do it with less savings. Enbridge stock has a 6.5% yield. At that yield, you only need \$92,307 to get \$6,000 a year in dividend income.

To return to my portfolio for a minute: thanks to this year's rising market, my \$82,000 portfolio has risen to \$90,000. If I'd invested all of that in ENB, I'd actually be very close to \$500 a month in passive income. However, there is a reason I haven't done that. Enbridge, like many high-yield stocks, is risky. Its [payout ratio](#) is currently 126%, which suggests that it's paying out more in dividends than it's actually earning. It's a risky proposition, so I'd only recommend holding Enbridge in the context of a highly diversified portfolio, not as a single big bet.

Interest

The second way to get passive income is to invest in interest bearing investments, like bond funds and Guaranteed Investment Certificates (GICs). Today, you can find GICs that yield 5%. Invest \$120,000

into a 5%-yielding, one-year GIC, and you'll get \$126,000 back in a year. The return is \$6,000, or \$500 on a monthly basis.

Crowdfunding

A third way to collect passive income is to participate in crowdfunding — specifically, crowd lending. There are platforms out there that let you lend money to companies seeking funds. These are similar to bonds only you're lending directly, not buying on the open market. In many cases, the yields on these loans are greater than 5% — in which case the math I discussed in the section on GICs applies. However, private loans are riskier than term deposits, so don't get use this passive-income method, unless you're prepared to do some serious research.

Being a landlord

A third way to get \$500 a month in passive income is to become a landlord. This is where you buy a house and rent out part of it — or even the whole thing. If you want a house to live in, you can buy one and rent out the basement apartment. If you want to boost the income, you can live in the apartment and rent out the rest of the house. Just remember that this passive income method is not 100% "passive." You sometimes have to deal with repairs and collection issues.

Covered calls

Last but not least, we have covered calls. This is a kind of option strategy where you own a stock, and you write a contract that says you'll sell it if it hits a pre-determined price. The person who is betting on your stock pays you a small amount of money (a "premium") in exchange for you agreeing to sell. If the stock hits the pre-determined price (the "strike price"), you have to sell, but you still collect the premium. If stock doesn't hit the strike price, then you simply collect the premium and do nothing — easy as that!

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