



2,258 Shares of These 2 Stocks Can Give You \$3,648/Year in Passive Income

Description

If you invest in shares, there is more to it than the buy and sell price. Let's understand simple math. Is a \$100 in passive income in your savings account or a \$100 stock with the potential to earn more, more valuable? Both options have value – how much depends on your financial goals.

Things to consider before reinvesting all your passive income

[Dividend stocks](#) are a good source of passive income. But do you need this passive income now or after a few years? The answer to this question will determine what is more valuable to you, passive income today or a larger portfolio tomorrow. If you are working and have a long-term investment horizon, you can make every share count.

Two stocks that can give you \$3,648 in annual passive income

Here, I have devised a strategy to maximize a \$3,000 investment per year in **BCE** ([TSX:BCE](#)) and get \$3,648 per year in passive income after 10 years. This strategy assumes the following between 2023 and 2032:

- The BCE stock price and dividend increase at a compounded annual growth rate (CAGR) of 3.2% and 5%, respectively.
- **True North Commercial REIT** ([TSX:TNT.UN](#)) maintains its annual distribution at \$0.59 and its average stock price remains \$7.

Year	BCE Stock Price 3.2% CAGR*	Annual Investment	Number of Shares	BCE Dividend per share	Total Dividend	TNT.UN Share Count (\$7 average stock price)	TNT.UN Total Dividends
2023	\$61.11	\$3,000.00	49.09	\$3.87	\$189.99	27.14	\$16.01

2024	\$63.07	\$3,000.00	96.66	\$4.06	\$392.78	83.25	\$49.12
2025	\$65.08	\$3,000.00	142.76	\$4.27	\$609.09	170.27	\$100.46
2026	\$67.17	\$3,000.00	187.42	\$4.48	\$839.65	290.22	\$171.23
2027	\$69.32	\$3,000.00	230.70	\$4.70	\$1,085.22	445.25	\$262.70
2028	\$71.53	\$3,000.00	272.64	\$4.94	\$1,346.62	637.62	\$376.20
2029	\$73.82	\$3,000.00	313.28	\$5.19	\$1,624.71	869.72	\$513.14
2030	\$76.19	\$3,000.00	352.66	\$5.45	\$1,920.38	1144.06	\$675.00
2031	\$78.62	\$3,000.00	390.81	\$5.72	\$2,234.57	1463.29	\$863.34
2032	\$81.14	\$3,000.00	427.79	\$6.00	\$2,568.27	1830.18	\$1,079.81

How to earn \$3,648 in annual passive income

BCE stock

The telecom giant BCE has been growing its dividend at a 5.2% CAGR for the last [10 years](#) on the back of increasing subscriptions from wireless. The company is ahead in the 5G race and gaining market share by expanding its fibre infrastructure to remote places. The fifth-generation infrastructure will bring broadband-like speed to edge devices and facilitate autonomous vehicles, smart cities, and drones. More connected devices and higher internet usage will increase BCE's average revenue per user (ARPU) and help the company maintain its 5% dividend CAGR.

If you invest \$3,000 per year in BCE, make sure you buy closer to the average price shown in the table. Assuming the company increases its 2023 dividend by 5% to \$3.87, you can accumulate \$190 in annual dividends from a \$3,000 investment. You can collect the \$190 in passive income or reinvest it in another dividend stock with a higher yield.

True North Commercial REIT

True North Commercial REIT is a small-cap REIT with a 95% occupancy rate. However, its distribution-payout ratio has reached an alarming level of 95%. Suppose the REIT can sustain a \$0.59 per share annual distribution, the \$190 in dividend income from BCE can buy 27 shares of the REIT, which can earn you \$16 in annual dividends.

Repeat this reinvestment for 10 years, and you will have 428 shares of BCE that pay \$2,568 in annual dividends and 1,830 shares of TNT.UN that pay \$1,079 in annual dividends at the end of 2032. Adding up the two, a \$30,000 investment in 10 years could earn you \$3,648 in annual passive income (12.2% yield).

Investor caution

The above strategy can compound your future passive income by reinvesting your current passive income to buy more shares. However, the above calculation is based on several assumptions, and the stock market is dynamic. If the above assumptions change, it could alter your passive income. In such a scenario, you could opt for another stock to make every share count.

For instance, instead of investing only in True North Commercial REIT, you could consider buying other stocks with higher dividend yields, like **TC Energy** and **SmartCentres REIT**. It's a good habit to diversify your portfolio across sectors and asset classes to reduce risk. Here are some [good Canadian stocks](#) you could consider buying to diversify your investments.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

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2. NYSE:TRP (Tc Energy)
3. TSX:BCE (BCE Inc.)
4. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)
5. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)
6. TSX:TRP (TC Energy Corporation)

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Date

2025/08/12

Date Created

2023/02/17

Author

pujatayal

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