



## Need Passive Income? Turn \$5,000 Into \$28 Every Month

### Description

So, you want to be a passive-income investor, but you only have \$5,000 to invest. That's not ideal, but there are still ways to generate some income that doesn't involve investing in a Ponzi scheme, crypto staking, or peer-to-peer lending.

By using the right [high-yield exchange-traded fund \(ETF\)](#) in a [Tax-Free Savings Account \(TFSA\)](#), investors can immediately start generating some modest monthly passive income. However, if you're willing to be patient, investing it long term might yield better results.

### Investing for passive income right now

With just \$5,000, we have to find investments that pay the highest possible yields. Some Canadian dividend stocks can pay yields of around 6%, but investing in a single stock isn't the best for diversification. If the stock does poorly or cuts its dividends, you're going to suffer.

My proposal is **BMO Covered Call Canadian Banks ETF (TSX:ZWB)**. This ETF holds all of the Big Six Canadian banks and sells call options against them. This approach converts future growth potential into immediate income. Right now, ZWB is yielding 7.47% and pays on a monthly basis.

Assuming ZWB's most recent January monthly distribution of \$0.11 and the current share price at time of writing of \$19.55 remained consistent moving forward, an investor who buys \$5,000 worth of ZWB could expect the following approximate monthly payout:

COMPANY	RECENT PRICE	NUMBER OF SHARES	DIVIDEND	TOTAL PAYOUT	FREQUENCY
ZWC	\$19.55	255	\$0.11	\$28.05	Monthly

### Investing for long-term growth

\$28 in monthly passive income isn't enough to do much with. If I had just \$5,000 to invest, I'd rather

put it in a solid portfolio of stocks and hold long-term. My ETF of choice here would be ZWB's non-covered call counterpart, **BMO Equal Weight Banks Index ETF** ([TSX:ZEB](#)).

ZEB is basically ZWB without the covered call overlay. As a result, it pays a lower yield of 4.65%, but has much greater growth potential. Here's how \$5,000 invested in ZEB since its inception would have grown with dividends reinvested. Remember that these returns are historical and not guaranteed for the future.



## The Foolish takeaway

Investing for passive income is great and all, but there's no point if you're just starting out with a small portfolio. If you're a younger investor with a high risk tolerance and a long time horizon, consider optimizing your investment portfolio for growth. This can be done by holding high-quality stocks, which can be easily accessed via ETFs.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:ZEB (BMO Equal Weight Banks Index ETF)
2. TSX:ZWB (BMO Covered Call Canadian Banks ETF)

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