



How to Make \$500 of Passive Income a Month in Your TFSA

Description

If you're looking to make passive income from your investments, you might as well get it tax-free in your TFSA. While the Canadian market offers a yield of 2.75%, **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)) offers about 75% more in income — specifically, a yield of 4.8% as of writing.

Why Brookfield Infrastructure is awesome for passive income

Brookfield Infrastructure owns and operates a critical and diverse portfolio of global infrastructure assets, which facilitate the movement and storage of energy, water, freight, passengers, and data.

The company has a better than investment-grade S&P credit rating of BBB+. And it has been safely increasing its cash distribution over the long run. Since 2009, Brookfield Infrastructure has increased its cash distribution per unit at a compound annual growth rate (CAGR) of about 11%, while its funds from operations per unit increased at a CAGR of about 16%.

Before Brookfield Infrastructure was listed on the NYSE in 2008 and TSX in 2009, it was a part of **Brookfield Asset Management** (BAM), which also tends to increase its dividend.

Notably, BAM remains its general partner and manager with an equity stake of roughly 30% in the company. So, management's interest is well aligned with that of unitholders, as it also receives juicy income from the stock.



With Brookfield Infrastructure, you can get a very stable and predictably growing passive income. Specifically, management aims to increase the cash distribution by 5-8% per year. Based on its usual dividend-hike schedule, the quality utility increased its dividend by 6.9% in the first quarter.

Assuming the midpoint growth rate of 6.5%, investors can expect to double their income from the stock in about 11 years (or get 20% more in income by the third year of investment).

How to make \$500 of passive income a month

To get \$500 per month (equating to \$6,000 per year) of income from a yield of 4.8%, you need to invest \$125,000. That's investing a whole lot in a single stock in a lump sum.

A better way would be to diversify your tax-free passive-income stream, by getting, say, \$100 per month from Brookfield Infrastructure. That'd imply an investment of \$25,000. And then invest in four other safe dividend stocks for the remainder \$400 per month.

Currently, [Pembina](#) offers a similar dividend yield as Brookfield Infrastructure, and in our view, it's also a quality dividend-growth stock.

And this [reliable REIT](#) offers a whopping yield of 6.3%, which means you'll only need to invest about \$19,050 in the stock instead of \$25,000 to generate \$100 a month. However, to prevent foreign withholding taxes on some of its cash distribution, you'll want to hold it in an RRSP or RRIF.

Foolish takeaway

While we aim for \$500 of passive income per month, the exciting thing is that's just the start. These quality companies are set to increase their dividends by at least 5% per year, which means in as little as four years, you'll earn more than \$600 of passive income per month. And the income will only increase from there!

CATEGORY

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

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)

PARTNER-FEEDS

1. Msn
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