



How Canadian Couples Can Collect \$750 Per Month in Tax-Free Passive Income

Description

Imagine having an extra \$750 per month in cash without working more hours or taking on a weekend gig at the local pub.

It seems like a dream, but Canadian couples can take advantage of their existing TFSA contribution room to own quality dividend stocks and essentially start their pension early.

Since the launch of the Tax-Free Savings Account (TFSA) in 2009, Canadian residents that were at least 18 years old at the time now have a maximum contribution room of \$63,500. A couple would have \$127,000 in cumulative contribution room available. You might not have \$127,000 sitting around right now, but making small contributions each month adds up quickly, and people often come across extra cash from a work bonus, the sale of some stuff they no longer use, a small inheritance, or even the proceeds from a lucky day at the race track.

Let's take a look at two stocks that might be interesting picks to help you set up your passive-income TFSA portfolio.

Inter Pipeline (TSX:IPL)

Inter Pipeline owns natural gas extraction assets, oil sands pipelines, and conventional oil pipelines in the Canadian energy patch. The company also owns a growing liquids storage operation with facilities located in a number of European countries.

The diverse revenue stream helps smooth out any volatility in a particular segment. Last year, the gas processing division benefitted from improved market prices, while the liquids storage business saw a drop in utilization. In Q1 2019, the roles reversed.

Inter Pipeline is making good progress on its \$3.5 billion Heartland Petrochemical Complex and has a knack for finding strategic tuck-in acquisitions.

The company has raised the dividend for 10 straight years. The existing payout provides an annualized

yield of 8.2%.

Power Financial (TSX:PWF)

Power Financial is a holding company with interests in a number of Canadian wealth management and insurance businesses. It is also a partner in a European holding company that holds stakes in a number of Europe's top global companies.

The portfolio is performing well, and management is doing a good job of sharing the spoils with investors. Power Financial raised the dividend by 5% this year and recently repurchased \$1.65 billion in stock.

The current dividend provides a 6% yield.

The bottom line

An equal investment between the two stocks would provide an average yield of 7.1%. This would generate about \$9,000 per year, or just over \$750 per month in tax-free income for a couple who each maxed out their \$63,500 in contribution room.

Diversification is advised when building an income portfolio, and the TSX Index has many other reliable dividend stocks that offer attractive yields.

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aswalker

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