How to Turn Your TFSA Into a $320/Month Tax-Free Passive Income Stream

Description

Earning tax-free income through our TFSA is a common goal that many investors have. And rightly so, as this tax-free income can help us save for a desired purchase, accumulate a recurring income to replace our employment income, or accelerate the compounding effect if we re-invest our tax free income.

Replacing our employment income can take many forms. Doing so through low-risk means is ideal for most of though. Because with a low risk, consistent and stable source, this passive income will accumulate quickly, so let's be sure to max out on our allowable TFSA room as soon as possible.

Without further ado, let me show you how to start your TFSA's passive income stream off strong.

Manulife Financial Corp. (TSX:MFC)(NYSE:MFC)

Manulife stock has a long and reliable history of dividend growth and income. Over the last 20 years, Manulife's dividend has increased from $0.27 per share to the current $1.00 per share for a compound annual growth rate of 6.8%.

This long history of a growing dividend can lead us to conclude that Manulife stock is a reliable stock to generate predictable and steady passive income with.

In 2018, Manulife increased its dividend by 14%, in a move that came earlier than expected, at a greater magnitude than expected and more than last year's 7% dividend increase.

With a current dividend yield of 4.32%, investing $16,000 (or 25% of your $63,500 lifetime TFSA allowance) into this stock will yield you approximately $684 in annual passive income.

Northwest HealthCare Properties REIT (TSX:NWH.UN)

Northwest Healthcare Properties REIT is a bit of a different income-producing animal, but a very attractive one in order to get you toward your goal of generating passive income for that special purchase, or to get you further along your goal of replacing your employment income.

This REIT is in the healthcare space, obviously, and with that, it has a long runway of secular growth and strong demand characteristics to drive growth and cash flow well into the future.

Northwest's high-quality global, diversified portfolio of healthcare real estate properties located throughout Canada, Brazil, Germany, Australia, and New Zealand, gives it real exposure to the biggest demographic shift that much of the developed world is facing, the aging population.

In its most recent quarter, the first quarter of 2019, Northwest reported a 4.2% increase in revenue, an 8% increase in funds from operations and strong occupancy of 96.8% with the international occupancy holding stable at 98%.

With a current dividend yield of 6.64%, it makes sense to invest 75% of your TFSA allowance into this REIT for its passive income-generating capacity today and well into the future. That means investing approximately $47,600 into this REIT, which will generate approximately $3,150 of annual income for your enjoyment.

Bottom line

In order to achieve $320 on monthly passive income, invest $16,000 into Manulife Financial stock, which will generate $57 of monthly income, and $47,600 into Northwest Healthcare Properties REIT, which will generate $263 in monthly income.

And these income numbers don't include capital gains that I believe we can expect from these investments, as Manulife remains undervalued and as Northwest REIT continues to grow rapidly around the world, benefiting from worldwide demographic trends.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)
3. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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