How to Turn Your TFSA Into a $500/Month-Paying Income Stream

Description

Since the TFSA's inception following the Financial Crisis, the markets have roared, and if you stayed bold and bought in spite of the excessive negativity in the headlines, you made nothing short of a killing.

In this piece, I'm going to assume that your TFSA is at or around $100,000 thanks to significant gains in the equity market over the past few years.

Using simple math, a TFSA portfolio requires a 6% yield to turn a $100,000 TFSA into a $500/month-paying passive income stream.

Although averaging a 6% yield violates the "4% rule" of thumb, the following two stocks, I believe, have safer and "growthier" dividends than stocks with yields that abide by the outdated 4% rule.

Consider **Enbridge** (TSX:ENB)(NYSE:ENB) and **Great-West Lifeco** (TSX:GWO), two stocks yielding 6.6% and 6%, respectively, at the time of writing.

Both names have been under considerable pressure due to industry-specific headwinds, the ailing energy sector in the case of Enbridge and a sluggish environment for Canadian financials in the case of Great-West.

While the dividend payouts of both firms have been stretched in recent years, they're both still safe and slated for further growth as each firm bounces back from what's been a forgettable past four years.

Moreover, both **TSX index** dogs offer income investors the opportunity to "lock-in" their +6% yields on the dip before they revert back to historical mean levels that are closer to the 4% mark.

Enbridge has faced seemingly endless project delays and continued resistance from regulatory authorities. When combined with the frail Canadian energy sector, Enbridge seems like a dud that's destined to tread water indefinitely.

Despite the pressures, management is keen on keeping its dividend growth rate consistent, as if the company weren't under such intense headwinds.

Some pessimists fear that Enbridge's undeserved dividend hikes will come back to bite investors down the road, but I'm in the camp that thinks the company will be able to keep its income investors happy as it stays the course.

The Line 3 Replacement, a source of financial relief and meaningful growth, is coming, and although delays are making investors patient, long-term investors ought to be enticed by the lowered price of admission to one of the most compelling value bets in Canada.

Great-West Lifeco has its own share of baggage. The insurer fell off yet another cliff in the first week of August thanks in part to its Q2 earnings flop which saw weakness in the Canadian, American, and European markets.

It's a nasty situation right now, but there is hope as management looks to amalgamate its three insurance banners to Canada Life.

GWO stock is flirting with multi-year lows right now, and although there are no catalysts to propel the name out of limbo over the near term, I am encouraged by the huge dividend yield and the cheapness of shares.

For 0.6 times sales and 9.7 times forward earnings, the struggling insurer and its 6% yield can be yours. The dividend is still safe with a 63% payout ratio and should the amalgamation go smoothly; I suspect GWO could be in for a bounce.

Foolish takeaway

Both losers are in the doghouse now, but if you've got the patience to wait for industry headwinds to subside, both Enbridge and Great-West have substantial upside potential to go with the side of dividends yielding north of 6%.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:GWO (Great-West Lifeco Inc.)

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