TFSA Investors: Never Worry About a Down Market Again With Perpetual Passive Income!

Description

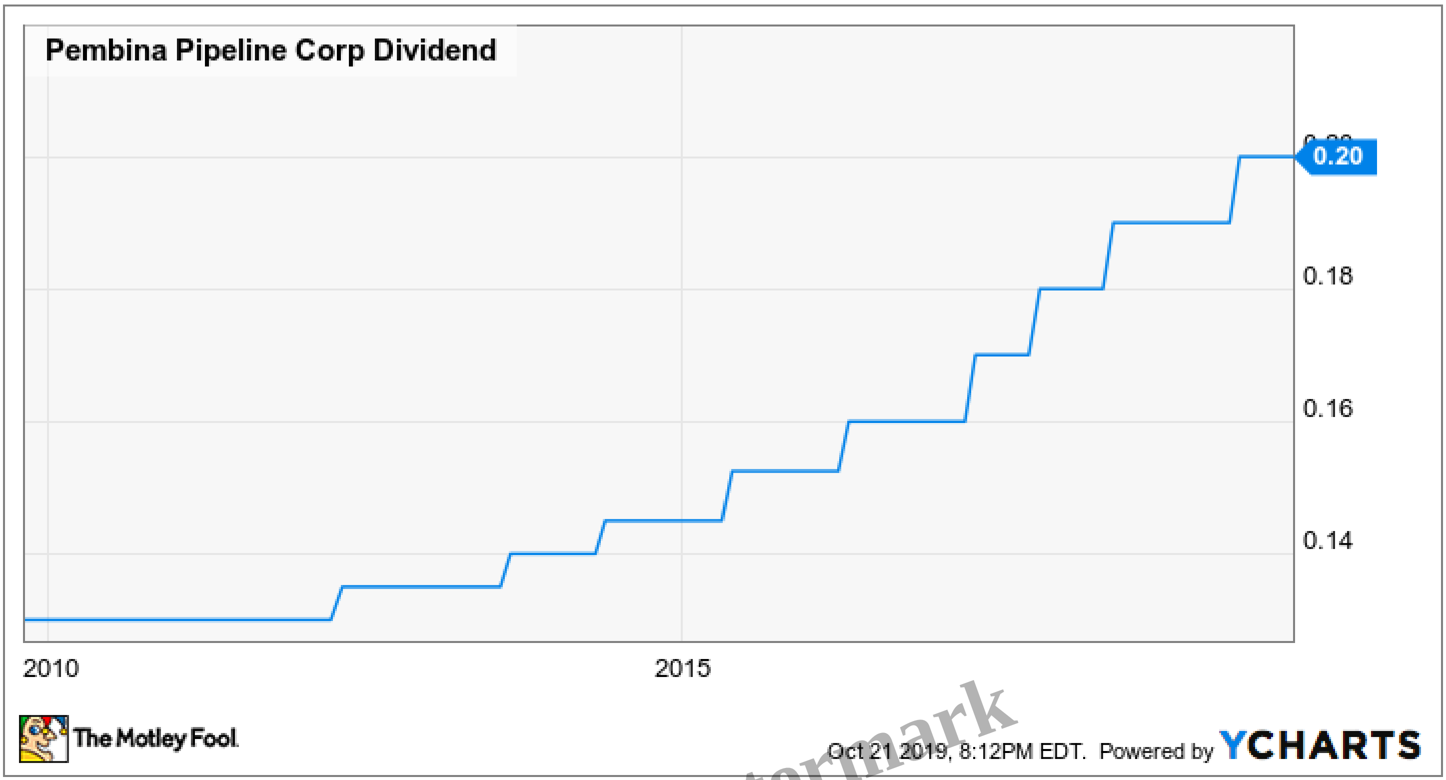
The Canadian and U.S. stock markets have been bull markets for about 10 years. The longer the bull market is sustained, the greater the chance of a market crash happening. And that has many investors worried.

Past down markets have fallen 25-50%. Imagine your stock portfolio being cut by a quarter or a half! However, when that happens, it will not be the time to panic; instead, it will be an incredible wealth-creating, millionaire-making opportunity!

If you want to feel at ease in future down markets, here's one strategy that will work beautifully: build a perpetual passive-income stream that rises forever!

With the cash flow coming in every month, you can pay the bills or buy more stocks at basement valuations during down markets.

To create this cash machine, you need to choose carefully which businesses to own. One quality business that I like right now is **Pembina Pipeline** (TSX:PPL)(NYSE:PBA). By owning such businesses in your TFSA, you can earn major passive income and take better advantage of down markets!



PPL Dividend data by YCharts. Pembina stock's 10-year dividend growth history.

A juicy dividend

It's absolutely liberating to have [a stable income stream] that more than beats inflation to maintain your purchasing power. The Bank of Canada attempts to keep the long-term inflation rate at about 2%. The best one-year GIC rate is going for about 2.5%, which barely keeps up with inflation. So, Pembina's current juicy yield of 5.1% is enticing.

Additionally, in the past 10 years, Pembina increased its dividend by 4.2% per year on average, which more than doubles the inflation. Conveniently, Pembina pays a monthly dividend, which provides more flexibility than a quarterly dividend.

Pembina's business is focused in western Canada. Its dividend is supported by stable cash flows generated from transporting oil and gas. The cash flow is primarily underpinned by long-term contracts with investment-grade customers. It also has gas-processing plants and fractionators in strategic locations.

Pembina's acquisition of **Kinder Morgan Canada** and the U.S. portion of the Cochin Pipeline system further expands the company's geographical reach.

The acquisition includes the Vancouver Wharves, which provide stable, fee-based revenue and access to a critical port, and a major terminalling business with storage capacity in Edmonton. Cochin is one of two cross-border condensate import pipelines, underpinned by take-or-pay contracts with investment-grade customers. Upon closing the transaction, Pembina will increase the dividend by 5%, which will make a forward yield of almost 5.4%!

Pembina's payout ratio is only about 56%, which provides a big margin of safety to protect its juicy dividend.

A great value

Pembina stock is attractive today. At about $47 per share, it trades at roughly 10.3 times cash flow. Analysts have an average 12-month target, which represents 20% near-term upside potential. This implies returns potential of roughly 25%, which would be awesome for this quality business.

Foolish takeaway

By buying a diversified portfolio of dividend stocks backed by quality businesses such as Pembina, you should be worry free in future down markets, because you'd be able to take advantage of basement prices by buying up shares with passive income from your dividends. Building the portfolio inside your TFSA will only enhance your results.

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