TFSA Investors: Make $390 a Month in Passive Income with This 1 TSX Stock

Description

The Tax-Free Savings Account (TFSA) is a flexible investment option for Canadians. This registered account is gaining in popularity as withdrawals from the TFSA are exempt from CRA taxes.

The total TFSA limit for investors eligible to contribute to the account since its inception is $69,500. As withdrawal are tax-free, you can allocate quality dividend stocks to your TFSA and benefit from recurring dividend payments as well as capital appreciation.

Why Capital Power stock is ideal for your TFSA?

Capital Power (TSX:CPX) develops, acquires, and operates power generating facilities in Canada and the United States. Its business model focuses on generating stable cash flows from a contracted portfolio. Its cash flows are supported by an investment-grade credit rating.

Capital Power aims to create shareholder value by generating power from efficiently operated plants and investing in growth opportunities. Capital Power stock is trading at $28.3, which is 27% below its 52-week high.

The recent weakness in stock price has increased dividend yields to a tasty 6.8%. This means if you allocate Capital Power to your TFSA and invest $69,500 in the stock, you can generate over $4,720 in annual dividend payments or over $390 in monthly dividends.

It has enough liquidity to continue paying dividends. The company ended Q1 with $900 million of available capacity on the $1 billion of committed credit facilities that will mature in 2024. It expects to generate $300 million in discretionary cash flows.

Capital Power pays annual dividends of $1.92 per share. With 105.1 million shares outstanding, it will require just over $200 million for these payouts.

Its adjusted funds from operations are forecast at $5 per share and the company has enough room to increase dividend payments in 2020 and beyond.

Capital Power's focus on renewable energy

Capital Power owns 6,400 megawatts (MW) of power generation capacity at 28 facilities in North America. Around 151 MW of owned generation capacity is in advanced development in Alberta. It has a young fleet with long asset lives. Approximately 2% of its current generation portfolio is expected to retire in the next decade.

Capital Power has a strong pipeline of contracted growth opportunities. There is an increase in demand for wind, solar, and gas developments in targeted markets in Canada and the U.S.

Capital Power now aims to grow its renewable energy portfolio in the upcoming decade. Company CEO, Brian Vassjo stated, "This year, we've added 251 megawatts in renewables to our fleet. This includes the completion of Cardinal Point Wind project in Illinois that was completed on schedule and on budget in U.S. dollars. In April, we acquired the 101 megawatt Buckthorn Wind facility in Texas that is contracted with 15 years of weighted average remaining contract life."

Capital Power sales were up 34% year over year at $533 million. Adjusted EBITDA rose 16% to $234 million as well. Though Alberta was the company's cash cow, it now generates less than 40% of total earnings.

Capital Power's diversified asset base, improving EBITDA and recession-proof business, makes it an attractive bet for long-term TFSA investors. The recent pullback in stock price gives investors an opportunity to benefit from capital appreciation too.

Capital Power is just an example of a top stock for your TFSA. You need to diversify your portfolio and identify similar dividend stocks to create wealth and a recurring stream of dividends.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CPX (Capital Power Corporation)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
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