



TFSA Investors: How to Make \$750 in Passive Income With Little Risk

Description

For Tax-Free Savings Account (TFSA) investors, bulking up on low risk stocks to generate passive income is just as easy today as it always was. Yes, we may have to look a little harder. But there are still attractive stock opportunities out there despite the COVID-19 pandemic.

Investing less than \$12,000 in **Inter Pipeline Ltd.** (TSX:IPL) and **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) stocks can provide low risk passive income. Please read on to see the merits of investing in each of these low risk utility stocks for passive income.

TFSA investors: Inter Pipeline yields 3.33% with big upside potential

If you buy 200 shares of Inter Pipeline stock for your TFSA, you will have invested approximately \$2,886 in this utility stock. Utility stocks, by definition, are safe, stable, low risk stocks. They can provide steady, passive income for years all while pursuing growth opportunities. So with 200 shares of Inter Pipeline stock, you gain access to \$96 in annual dividend income.

Inter Pipeline stock has rallied 15% so far in August. This speaks to the steps that the company has taken to de-risk its business. It also speaks to the upside that will ultimately come when the Heartland Petrochemical Complex (HPC) is up and running.

Inter Pipeline has strengthened its balance sheet and is now in a position of ample liquidity. Net debt levels have fallen. And Inter Pipeline is fully funded until the start of the HPC in early 2022. [A reduction in the dividend](#) in sustaining capital and in expenses have worked their magic. Also, Inter Pipeline successfully raised \$700 million through the issuance of medium-term notes.

Before I move on, let's dive deeper into the upside potential that HPC brings Inter Pipeline. The major growth opportunity at Inter Pipeline is its Heartland Petrochemical Plant. This plant will "...convert locally sourced low-cost propane into a high value, easy to transport plastic." The cost estimate for building the complex is \$4 billion.

The start-up date is early 2022. At the end of the day, we can expect the Heartland Complex to contribute \$450 to \$550 million in EBITDA upon its completion. For some perspective, recall that Inter Pipeline's 2019 total EBITDA was just over \$1 billion.

Enbridge stock is very suitable for TFSA investors, yielding 7.2% as it navigates the difficult oil and gas market

If you buy 200 Enbridge shares for your TFSA, you will have invested \$8,970 in Enbridge stock. With a dividend yield of 7.2%, this will give you \$648 in annual dividends. This passive income can set you up with low-risk income for years to come.

But Enbridge stock is not one without its controversies. As Enbridge management stated on its latest call, "If there ever was a time to have a low risk business model, it's now." This can't be stressed enough. The coronavirus pandemic has made this even more obvious.

And with potential future shutdowns looming, Enbridge's business model stands out. [It makes it a prime candidate for any TFSA investor.](#)

We all know the problems with the oil and gas industry. It is high in carbon emissions and is the target in the environmental fight. But on the flip side, I hear a lot of really ambitious goals from the oil and gas industry that don't seem to garner much attention. The race is on to cut carbon emissions.

For example, Canadian Natural Resources intends to use technological innovation to reduce carbon emissions of its oil sands to zero. This seems like an unachievable goal, but it's not. Since 2012, Canadian Natural has cut its greenhouses gases by 29% and its methane emissions by 78%.

The point here is that if this continues, we will see an increasing number of skeptics return to investing in the oil and gas industry. Because energy demand is forecast to grow at a healthy pace for decades to come. And oil and gas energy is the energy that underpins the economy.

Foolish bottom line

Setting up some new sources of income in your TFSA has never been more important. The coronavirus pandemic has crushed many livelihoods. And government aid is not intended to last forever.

TFSA investors who buy Inter Pipeline stock and Enbridge stock will gain regular, low risk passive income.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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1. NYSE:ENB (Enbridge Inc.)
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