Canadians: Invest $100 a Month and Get $150 Monthly in Passive Income

Description

Even though the title sounds like a ploy, one can actually make it happen. All that I’m highlighting here is the power of compounding and disciplined investing.

The Canada Revenue Agency will tax you no matter how you earn your wealth. However, the Tax-Free Savings Account (TFSA) is one convenient option Canadians have where your money can grow tax-free. You can use the TFSA to fulfill your financial goals like buying a house or travelling the world or even saving for your sunset years.

Disciplined investing in the TFSA will go a long way

So, an orderly investment in your TFSA will create a huge retirement reserve over the long term. When it comes to compounding, time plays an important role than the absolute value of the investment.

Let’s say you save $100 monthly and invest it in a safe TSX stock like **TC Energy** (TSX:TRP)(NYSE:TRP) for, say, 15 years. Based on its average historical returns, the investment will accumulate around $35,200 in 15 years.

It will start paying dividends every quarter since your first investment. The longer the investment duration, the bigger the reserve, and the higher the payouts will be.

TC Energy has been paying consistent dividends for more than two decades. Based on its current dividend yield, the reserve of $35,200 will generate annual dividends of $1,948 (or $160 per month) after 15 years. The dividends and principal investment value will keep increasing every year, as the company grows its profits.

Stock markets are not that risky as some perceive. Investors normally shun stock markets, as they over-assume the risk. However, there are plenty of options that offer safety along with decent gains.

TC Energy is an energy pipeline company that connects North America's oil producers and refiners. Some might think that it is a risky company, as it belongs to the notorious energy sector.

But interestingly, not all energy companies are equally risky. Pipeline companies earn fixed fees on their long-term contracts. So, a large portion of their earnings is not exposed to volatile crude oil prices.

Focus on stability

Another low-risk stock for such a strategy is **BCE** (TSX:BCE)(NYSE:BCE). It has delivered relatively better returns than TC Energy stock in the last decade. Suppose you invest $100 a month in BCE stock for 15 years. It will create a reserve of $44,700, based on historical returns.

It currently yields 6%. So, a reserve will pay you $2,680 in dividends every year. That's $223 per month. A higher initial investment or a longer duration will remarkably increase payouts in the later years.

Telecom companies like BCE are mature and stable ones. You will hardly see large swings in these stocks as you see in risky, growth stocks. BCE generates stable cash flows, which enables stable dividends.

The Foolish takeaway

With stocks like BCE or TC Energy, one does not have to worry about market downturns or recessions. They deliver stable stock appreciation and dividends, irrespective of broad market direction.

If you are sitting on some cash or have some contribution room left in your TFSA, consider putting it in such stocks. They will not only give you tax-free gains but will also generate passive income for a lifetime.

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TICKERS GLOBAL

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2. NYSE:TRP (Tc Energy)
3. TSX:BCE (BCE Inc.)
4. TSX:TRP (TC Energy Corporation)

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