



How to Start Earning Passive Income of \$400 a Month

Description

Amid the uncertain outlook, given the rising COVID-19 cases and slowdown in the economy's recovery rate, it is better to supplement yourself with passive income. So, investing in monthly-paying dividend stocks would be the cheapest way, given its low transaction costs and lesser upfront capital.

Meanwhile, the Canada Revenue Agency (CRA) allows Canadian investors to earn tax-free returns by investing up to a specific limit called contribution room through a TFSA (Tax-Free Savings Account). The agency has set the contribution room for this year at \$6,000, while the cumulative contribution limit stands at \$69,500. If you invest the amount in stocks, which pay dividends with above 7% yield, you can earn over \$400 of tax-free passive income every month.

Meanwhile, the following three TSX stocks pay dividends every month and have yields above 7%.

Pembina Pipeline

After the encouraging announcements made by **Pfizer** and **Moderna**, oil prices have surged on expectations of life and businesses returning to pre-pandemic ways. The surge in oil prices has brought some relief to the energy sector, including **Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)). The energy infrastructure company's stock price has increased by over 22% since Pfizer made its first announcement on November 9. Despite the rise, Pembina Pipeline trades 32% lower for this year, providing an excellent buying opportunity.

Since its inception, the company has paid \$9.1 billion in dividends. Given its highly contracted business, the company earns 95% of its adjusted EBITDA from long-term, fee-based contracts, which provides stability to its earnings and cash flows. Further, at the end of its recently [announced third quarter](#), the company had access to \$2.54 billion of liquidity. Given its healthy liquidity position and stable cash flows, the company's dividends are safe.

Pembina Pipeline pays monthly dividends of \$0.21 per share, with an annualized payout rate of \$2.52 per share. Meanwhile, its dividend yield stands at an attractive 7.7%. With oil demand expected to rise next year, [I am bullish on Pembina Pipeline](#).

Extendicare

Extendicare ([TSX:EXE](#)) provides care and services for senior citizens across Canada. It operates 122 long-term care homes and retirement communities. Further, it provides home health care services under various brands. The pandemic-related operating expenses hurt its margins, dragging its stock down. The company had reported net losses of \$3.7 million in the second quarter.

However, in the last month, its stock price rose close to 30% amid vaccine hope and its strong third-quarter results. In the third quarter, the company's financials improved to report net profits of \$34.5 million. Despite the substantial rise, Extendicare still trades over 20% lower for this year.

Extendicare pays monthly dividends of \$0.04 per share with an annualized rate of \$0.48. It has a dividend yield of 7.3%. Also, the company's valuation looks attractive, with its forward price-to-earnings ratio standing at 19.

RioCan REIT

RioCan REIT ([TSX:REI.UN](#)) owns and operates 221 properties with a leasable area of 38.4 million square feet. Given its significant exposure to the commercial space, the pandemic-infused shutdown severely hit the company's financials. However, its collection rate in the third quarter improved amid the resumption of economic activities and various government programs to keep retailers alive. As of October 28, the company's collection rate improved to 93.4%, while its occupancy rate increased to 96%.

Despite the improving operating metrics, RicoCan is trading 33.5% lower for this year. With the availability of vaccine inching closer, I expect life and businesses to return to pre-pandemic ways soon, which could benefit the company.

Besides, RioCan pays monthly dividends of \$0.12 per share, with its dividend yield currently standing at 8.1%. Given its strong collection and occupancy rate and healthy liquidity position, I believe its dividends are safe.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:EXE (Extendicare Inc.)
3. TSX:PPL (Pembina Pipeline Corporation)
4. TSX:REI.UN (RioCan Real Estate Investment Trust)

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