



TFSA Investors: Invest \$100 a Month and Generate \$165 in Monthly Tax-Free Passive Income

Description

If you hold investments in a TFSA (Tax-Free Savings Account), you can grow your wealth without paying a single dollar in taxes to the Canada Revenue Agency.

Any withdrawals from the TFSA in the form of dividends, capital gains, or interests are exempt from CRA taxes. This makes it an ideal account to hold blue-chip dividend-paying companies.

Equities should always be part of your TFSA

When it comes to investing in equities, you need to take a long-term view to benefit from compounded returns. As bond yields are at multi-year lows, they are likely to outpace inflation, which makes dividend stocks with high yields extremely attractive. Further, investors can also benefit from capital gains over the long term.

We'll take a look at one blue-chip stock on the TSX that can help you increase your wealth at a steady pace over time.

TC Energy is one of the top-performing companies on the TSX

If we look at historical returns, an investment of \$100 per month in **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)) would have ballooned to \$35,200 over the course of 15 years. Now considering its tasty forward yield of 5.63% you can generate annual dividends of \$1,980, which indicates a monthly payout of \$165.

We can see how equities can create massive wealth over the long term. These dividends and principal investments will keep increasing each year, especially as TC Energy will continue to increase its payouts in the upcoming years.

TC Energy is one of the largest Canadian companies, and its robust business model is designed to withstand a turbulent crude oil market. This suggests its dividend payout is secure, making it a top bet

for income investors.

In [the third quarter](#), TC Energy's EBITDA was down 2.1% year over year at \$2.29 billion, while comparable funds from operations were down 7.7%. Its cash flow per share was down 9.8% year over year, increasing its dividend-payout ratio by 16.7%.

Despite a decline in EBITDA and cash flows, TC Energy's payout ratio is less than 50% for Q3. Its diversified business helped it offset the decline in the liquids and power divisions.

Now, TC Energy has outlined a \$37 billion expansion program of secured capital projects. Once the program is over, the company will generate 98% of EBITDA from regulated or long-term contracts.

This backlog of cash-generating assets and a healthy balance sheet will help TC Energy [increase dividends between](#) 8% and 10% in 2021 and between 5% and 7% from 2022.

The Foolish takeaway

TC Energy's recent results have shown it is relatively immune to falling commodity prices. This has helped it generate stable cash flows and support dividend increases. As pipeline companies earn a fixed fee on their long-term contracts a significant portion of their earnings is not exposed to volatile oil prices.

Stock market investments are not too risky if you bet on blue-chip stocks such as TC Energy. This is just an example of a quality stock, and there are plenty of options that offer regular dividend income as well as long-term gains.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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2. TSX:TRP (TC Energy Corporation)

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