



Passive Income: Earn \$145 a Week Tax Free

Description

There are plenty of ways to generate passive income. Most Canadians prefer rental real estate, while others would rather deploy cash in savings accounts and corporate bonds. The problem with these strategies is that they're either too expensive or offer astonishingly low returns.

Instead, a better way to generate passive income is to simply max out your Tax-Free Savings Account (TFSA) and invest it in high-yield dividend stocks. Here's how this approach could help you generate roughly \$145 every week without any effort.

TFSA contribution room

The first step to building passive income is to understand the government's best tool for Canadian investors. The TFSA is a special wrapper for capital that can be deployed without capital gains or dividend income taxes. Depending on your age, you may have a total of \$75,500 available in total contribution room by now.

Tragically, most savers and investors never maximize their contribution room. Others deploy it in safe but worthless bank savings accounts. If your TFSA is earning less than the rate of inflation, you're effectively burning wealth away.

Instead, investors should aim to extract the maximum return on investment without adopting too much risk. The best way to do this is to deploy the cash into a safe and robust dividend stock like **BCE** ([TSX:BCE](#))([NYSE:BCE](#)).

Dividend stock

There are several reasons why [BCE is the ideal target](#) for a passive-income-seeking investor. For one, the company's dominance of the telecom sector allows it to generate an unprecedented level of cash every year. This giant has an iron grip on the Canadian wireless and broadband market.

Much of the cash this company produces is reinvested to cement its dominance. Over the past few years, for instance, BCE has been investing in 5G wireless tech and fibre optic cables across the

nation. This expensive infrastructure serves as a competitive advantage for the company.

However, some of the cash produced is shared with shareholders in the form of dividends. At the time of writing, BCE offers an incredible 6% dividend yield. That's orders of magnitude greater than any bank savings account.

\$75,500 in TFSA cash deployed in BCE stock could generate \$4,530 a year in dividends. That's roughly \$87 a week in passive income. Best of all, this passive income is completely tax-free.

You could also potentially boost your passive income by selling some BCE shares every year. Selling 4% of your stake in BCE every year should allow you to capture some capital gains and boost your passive income to \$7,550 every year or \$145 every week.

Bottom line

The TFSA is tragically underutilized. Canadian savers are missing out on passive income by not maximizing their contribution room or investing their tax-free cash in low-interest savings accounts.

Instead, deploy your TFSA savings into a robust dividend stock like BCE could deliver \$87 in weekly passive income from dividends. Capturing some capital gains by trimming your stake every year could boost this to \$145.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
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