



Passive Income: How to Make Thousands a Month in Your TFSA

Description

Dividend stocks are some of the best and most important stocks in your portfolio. Not only do they offer you some impressive capital gains potential as all equities do, but they are also usually stable businesses and can provide attractive passive income to investors.

Passive income is especially ideal. Everybody likes to make money without doing anything and letting your money work for you. And when you're already earning this money in a portfolio like your [Tax-Free Savings Account \(TFSA\)](#), having passive income can help you grow that portfolio even faster.

The best stocks to own are dividend growth stocks. Dividend Aristocrats are especially attractive. These high-quality businesses have strong, growing cash flow and safe dividends, which is why they can increase their payouts each year.

And when you grow dividend payments each year, it allows investors to compound their money that much faster. So even if you only have enough money to earn \$200 a month in passive income today, if you continue to reinvest for the long term and compound that money, in just a few short years you can be earning thousands in passive income.

Use your TFSA to build a growing passive income stream

An investor with \$50,000 and a portfolio yield of 5% can earn \$2,500 in passive income this year. That's more than \$200 a month, which sounds pretty attractive.

However, if you can continue to save \$6,000 a year, reinvest your dividend income to help grow your portfolio at a compound annual growth rate (CAGR) of a conservative 7%, after 10 years, your portfolio would be worth over \$187,000.

And if it were still yielding 5%, it would now earn you more than \$9,000 a year or \$750 a month.

After 20 years of growing at 7%, your portfolio would be worth \$462,000, and at a 5% yield, you could earn \$23,100 a year, nearly \$2,000 a month.

Keep in mind that 7% is a generally conservative amount when [investing long-term](#). Warren Buffett has managed to achieve roughly three times as much as that over five decades. And if you can achieve a higher CAGR, your portfolio can grow even faster.

A 10% CAGR in the above example would see your portfolio worth roughly \$750,00 after 20 years. That portfolio could yield you a whopping \$3,125 of passive income every month.

Such the power of [compound income](#) and a growing stream of passive income, especially if you take advantage of your TFSA.

The longer you invest and the more you save, the more money you can make. Then, of course, the only other main factor is the stocks you buy and how fast they can grow. Here is one of the best to consider today.

A top stock to buy for dividend investors

One of the best [dividend stocks](#) for investors to consider today is **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)). Enbridge is ideal because it's a huge blue chip that's extremely stable. The stock has lower volatility than many of its peers because investors know it's safe.

It's one of the most dominant stocks in its industry, an industry that's at the heart of the economy. Plus, it's only minimally reliant on commodities prices. This allows Enbridge to have steady and growing cash flows.

And because it's so stable and large, it can return a massive amount of capital to investors and still invest in growth. So not only can you buy Enbridge for the passive income from its high-yield dividend that's been increased for 26 consecutive years.

But the stock also has considerable capital gains potential, which is why it's one of the top Canadian stocks you can buy for the long-term.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin

3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/08/26

Date Created

2021/06/19

Author

danieldacosta

default watermark

default watermark