3 Stocks for a Tax-Free Passive-Income Stream of $278/Month

Description

When you run a cost-benefit analysis of an investment, it's important to take *all* costs into account — not just the monetary one. The cost of risk, effort, time, maturity, tax implications, and several other factors can help you see the return potential of investment very differently.

For most people, one of the most tried-and-tested methods of starting a passive-income stream (on that's truly passive) is investing in dividend stocks. It's relatively safe, low effort, requires a minimal time investment, starts paying off right away, and if you place it in a TFSA, it offers you tax-free income.

So, if you have $45,000 in your TFSA for starting a passive-income stream, there are three stocks that can help you earn $278/month.

A REIT

Even though a lot of high-yield REITs are commercial-facing, the abnormal Canadian housing market might make some investors uncomfortable. If you are one of those, you might consider investing in a REIT that has a foreign portfolio, and **Inovalis REIT** (TSX:INO.UN) is a major contender. The company has 14 properties in France and Germany, and its total assets are worth $672 million.

The REIT had a rough first quarter, and the payout ratio is through the roof (147%). But it sustained its dividends with a worse payout ratio in 2017, and the chances are that it might pull through again and maintain its juicy 8.2% yield. The yield is high enough to help you earn $102.5 a month in a tax-free dividend income.

A mortgage company

If you are looking for a dividend stock that's both undervalued and overly generous with its dividends, **MCAN Mortgage** (TSX:MKP) might make the cut. The company is currently trading at almost the same price as its pre-pandemic peak, at a price-to-earnings ratio of 6.6 and a price-to-book ratio of 1.3 times. And the company is currently offering an impressive 7.8% yield — enough for a monthly income of $97.5 with $15,000 invested.

MCAN is a relatively small company with a market capitalization of just $478 billion. The company has seen a decent spike in its revenue, making its cash value enticing and its dividends more secure (the payout ratio is at 48.7%). If its borrowers don't default and most of its fixed-rate mortgages keep up to date on their payments, the financials might stay strong for years.

An energy company

Pembina Pipeline (TSX:PPL)(NYSE:PBA) is very different from the other two stocks on this list. It's from a different sector, is currently offering a lower yield at a higher payout ratio, still retains its aristocratic status, and it's comparatively massive with a market capitalization of $22.1 billion.

The 6.3% yield is quite juicy and can be turned into a $78.7-per-month dividend income with $15,000 invested in the company. Before the crash, it used to be a slow but steady growth stock, and since it has yet to reach its pre-pandemic high, the stock *might* offer a decent bit of capital appreciation if you buy now in addition to the yield. But the requirement is that the energy sector keeps recovering at its recent pace.

Foolish takeaway

Collectively, the three stocks can offer you a decent passive income. It might only be a fraction of your regular income, but it is still sizeable enough to help out with a few small expenses. And if you can't find a better use for it in spending, you might consider reinvesting the dividends into these stocks or other growth or dividend stocks.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:INO.UN (Inovalis Real Estate Investment Trust)
3. TSX:MKP (MCAN Mortgage Corporation)
4. TSX:PPL (Pembina Pipeline Corporation)

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