



Passive Income: How to Make \$250 a Month of Tax-Free Earnings

Description

When it comes to building a passive income stream, investors have to balance, yield, risk, and dividend growth.

Not every stock can pay you upwards of 7%. At the same time, if you're looking to earn passive income today, you can't solely buy dividend growth stocks with yields of around 1%.

And each time you buy a dividend stock, you need to ensure that the dividend is safe and the company's operations are robust.

Another tip for investors, especially if you're looking to grow your passive income stream rapidly, is utilizing the [Tax-Free Savings Account \(TFSA\)](#). This way, you can keep all that money you earn and continue to reinvest it, which will help it to compound rapidly. So even if you're making \$250 a month today, that will grow to \$500 a month sooner than you'd think.

And \$250 a month is a great target to start for investors. For example, if you have a portfolio value of \$60,000, you could earn \$250 a month with a portfolio yield of just 5%.

So you can buy several different Canadian dividend stocks, and as long as your average portfolio yield is 5% or higher, you'll earn an attractive amount of passive income.

However much money you have, the sooner you invest it, the sooner you can begin to compound it and grow it rapidly. So if you're looking for some top dividend stocks to buy today, here are two of the best.

A top restaurant royalty stock

If you're looking to build a growing passive income stream, one of the best dividend stocks to consider has to be **A&W Revenue Royalties** ([TSX:AW.UN](#)).

A&W has been a rapidly growing burger chain, and investors have been consistently rewarded. All of

the popularity of A&W's products have seen the number of locations skyrocket. In addition, for years, same-store sales have grown at incredible rates as well. This has led to numerous dividend increases for investors in recent years.

Of course, A&W was impacted by the pandemic. However, it has recovered quite rapidly and has already increased its dividend twice since the pandemic. The payout now sits at 94% of what it was before the pandemic, showing it's almost completely recovered.

So if you're a passive income seeker looking for a top dividend stock to buy, A&W is a top choice. Its business is quite resilient, and it's proven it can grow rapidly.

A top Canadian telecom stock for passive income

In addition to A&W, another high-quality Canadian stock I'd consider today is **BCE** ([TSX:BCE](#))([NYSE:BCE](#)). BCE is the perfect stock to buy if you're looking to build a passive income stream.

Not only is it one of the largest and most important companies in Canada, but the stock also yields an incredible 5.4% today, and given that BCE is a Dividend Aristocrat, the company increases its dividend each year.

Because [telecom stocks](#) have huge barriers to entry and tonnes of long-life assets, they possess the ability to generate a tonne of cash flow.

Of course, right now, building out 5G technology is crucial, but that should only lead to more sales growth down the road. And over the years, telecommunications only continue to become more important.

So while BCE is already an incredible stock with a tonne of recurring revenue, it should only continue to grow its operations.

Therefore, if you're looking for a high-quality dividend stock to help build a growing passive income stream, it's one of the best in Canada to consider.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:AW.UN (A&W Revenue Royalties Income Fund)
3. TSX:BCE (BCE Inc.)

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Date

2025/07/22

Date Created

2021/08/28

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