



## Passive Income in Canada: Earn \$15 a Day in Tax-Free Gains!

### Description

It's always advisable to create multiple income streams that will help you build wealth at an accelerated pace. But generating passive income is not easy and might require a significant amount of capital. For example, investing in the Canadian real estate market will help you generate rental income. But purchasing a house or a condo can set you back by a million dollars (or much more). Further, you will also have to accommodate for any loss of rental income for periods of vacancy.

Canadians can instead leverage their TFSA (Tax-Free Savings Account) contributions to generate a passive-income stream. Investors can buy and hold [dividend-paying stocks](#) that have robust balance sheets and attractive payouts.

The maximum cumulative TFSA contribution limit for investors is \$75,500, which can be used to purchase quality stocks like the ones identified below.

### Enbridge

When it comes to Canadian dividend stocks, it is impossible to ignore **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#) ). The energy infrastructure giant has, in fact, increased its dividends at an annual rate of 10% in the last 26 years, and ENB stock currently pays investors a forward yield of 6.6%.

A majority of Enbridge's cash flows are backed by long-term contracts, making it relatively immune to fluctuations in commodity prices. The company has survived multiple economic downturns but has maintained its healthy payouts, showcasing its resilient business model.

Enbridge continues to invest heavily in capital expenditures that will drive future cash flows higher. It expects cash flow per share to grow between 5% and 7% through 2023, as it expands its renewable energy portfolio.

In the first six months of 2021, its adjusted earnings per share stood at \$1.16 compared to \$1.09 in the year-ago period. The company forecasts 2021 EBITDA to range between \$10.85 billion and \$11.62 billion compared to \$10.38 billion in 2020.

Enbridge's dividend payout is sustainable, as the company aims to keep distributable cash flow per share between 60% and 70% going forward. In the first half of this year, Enbridge paid \$1.24 in dividends to investors compared to the distributable cash flow of \$2.03 per share, indicating a payout ratio of 61%.

## Alaris Equity Partners

Another dividend-paying giant on the TSX is **Alaris Equity Partners** ([TSX:AD.UN](#)), which offers investors a yield of 7.6%. Alaris Equity Partners is a private equity company that specializes in management buyouts as well as growth capital, lower & middle markets, industry consolidation, and mature investments. It does not invest in start-ups and turnarounds or with companies with a declining asset base such as oil and gas resource entities.

Alaris Equity Partners invests between \$5 million and \$100 million in companies that have enterprise values between \$10 million and \$400 million. The target companies also have EBITDA between \$5 million and \$50 million while maintaining low levels of debt and capital expenditure.

Analysts [expect Alaris Equity](#) to increase sales from \$109.6 million in 2020 to \$160 million in 2022. Comparatively, its adjusted earnings per share are forecast to improve from \$0.56 to \$2.04 in this period.

Alaris Equity stock is trading at an attractive multiple and has a forward price-to-2022 earnings multiple of just 8.5 times.

## The Foolish takeaway

If you invest a total of \$75,500 in these two stocks, you can generate \$5,360 in annual dividend income. This amounts to a payout of almost \$14.7 each day. However, it does not make financial sense to have such a large exposure to just two stocks and you need to identify similar companies that have tasty dividend yields as well as strong balance sheets.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:AD.UN (Alaris Equity Partners Income Trust)
3. TSX:ENB (Enbridge Inc.)

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