Passive Income: How to Earn $13/Day Tax Free

Description

The increase in market volatility may spur Canadian investors to look at ways to generate income rather than chasing growth. Back in August, I'd looked at several ways that investors could look to churn out passive income. Today, I want to play out a hypothetical that will let us generate $13/day in tax-free dividends. In this scenario, we're going to be using cumulative TFSA contribution room of $75,500. Let's jump in.

This energy stock offers tasty income

Pembina Pipeline (TSX:PPL)(NYSE:PBA) is a Calgary-based company that provides transportation and midstream services for the energy industry. Its shares have climbed 35% in 2021 as of close on October 12. The stock is up 42% year over year.

This energy stock is a fantastic target for investors seeking passive income. Moreover, it has put together a good performance in the first half of fiscal 2021. It recently raised its adjusted EBITDA guidance range, raising the low end at the end of the second quarter.

In our hypothetical TFSA, we're going to purchase 605 shares of Pembina, which would be valued at just under $25,000. Pembina offers a monthly distribution of $0.21 per share, representing a tasty 6.1% yield. That will allow investors to generate $127.05/month in tax-free income. That works out to $4.23/day in a typical 30-day month.

Passive-income investors need to snag this healthcare stock

Extendicare (TSX:EXE) is an Ontario-based company that provides care and services for seniors across the country. The stock has increased 10% in the year-to-date period. However, its shares have plunged 8.9% over the past month. TFSA investors should be eager to buy the dip.

The stock last closed at a price of $7.19 per share. In our hypothetical, we'll snag 3,480 shares that would be worth just over $25,000. Extendicare last paid out a monthly dividend of $0.04 per share.

This represents an attractive 6.6% yield. That means that you can churn out passive income of $139.20/month in your TFSA. This works out to $4.64 in tax-free income per day.

Here's a REIT that can generate big passive income

SmartCentres REIT (TSX:SRU.UN) is a Vaughan-based real estate investment trust (REIT) that offers one of the most well-diversified portfolios in this space. Shares of this REIT have increased 32% in the year-to-date period. The REIT is up 46% from the prior year.

Investors can expect to see its third-quarter 2021 results in early November. In Q2 2021, SmartCentres posted an occupancy rate of 97.1% and average collection levels across the portfolio came in around 95%. This is a REIT that TFSA investors can trust going forward.

The REIT closed at $30.46 per share after the October 12 trading session. To continue our scenario, we'll scoop up 820 shares valued at just under $25,000. SmartCentres offers a monthly distribution of $0.154 per share, which represents a strong 6% yield. We will be able to generate $126.28 in tax-free passive income in our TFSA. That works out to $4.20/day in dividends.

Bottom line

If we combine these holdings, we can count on a daily income of $13.07 in an average 30-day month. That is a nice takeaway, especially in a TFSA.

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2. Investing

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2. TSX:EXE (Extendicare Inc.)
3. TSX:PPL (Pembina Pipeline Corporation)
4. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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