



TFSA Investors: How to Make \$400 a Month of Passive income in 2022

Description

As many Canadian investors know by now, the [TFSA](#) is one of the best tools at our disposal. Having the ability to save a good chunk of change each year and invest it in stocks, where all the gains you make, whether it's passive income or capital gains, are all tax-free is truly a significant privilege.

And as of 2022, for investors who have been eligible since year one, the total contribution room available is now more than \$80,000 — \$81,500, to be exact.

This is an incredible sum of money and an excellent starting point for investors to find high-quality stocks they can plan to buy and hold long term.

For dividend investors, it also means that you can begin to build an attractive stream of passive income. And if you find high-quality stocks, not only can you add to your passive-income stream each year as your contribution room increases, but these stocks will likely also increase their payouts to you often as well.

So, if you're looking to build a passive-income stream in your TFSA, here's what to consider.

Safety is better than yield when it comes to passive income

As dividend investors, we all want to own the best investments that return us the most passive income, which, naturally, draws us to higher-yield dividend stocks. However, in general, the higher the yield, the more risk that the stock has or that the dividend might be trimmed.

So, if you're going to invest in a high-yield dividend stock, it's crucial to ensure that you understand the risks and are confident that the company can continue to maintain its payout.

However, even if that's the case, it still might not be as attractive of an investment as a dividend-growth stock, which may not yield as much today but has the potential to continue increasing the passive income it returns to you each year.

How to earn \$400 a month with your TFSA

If you've been eligible for the TFSA since year one and you maximize your contribution, your portfolio only needs to yield 5.9% in order to earn \$400 a month of passive income.

That might sound a little high, but there are plenty of safe and dependable [dividend stocks](#) that offer a dividend yield of 5.9% or more.

Pizza Pizza Royalties, one of the safest restaurant royalty stocks, currently offers a dividend yield that's upwards of 6.1%. Plus, the company showed how resilient it was during the pandemic, weathering the storm much better than its peers.

Another company that generally performed well through the pandemic was **Alaris Equity Partners**, a high-quality stock that's made for passive-income seekers. Alaris finds high-quality private businesses across North America to take a preferred equity position. It then receives monthly distributions, which it uses to payout to shareholders. Currently, Alaris yields roughly 7.1%.

You'll also want to consider high-quality dividend-growth stocks too, such as **Enbridge**. Enbridge, the massive \$100 billion energy giant, currently offers a highly resilient dividend that yields 6.85%. Plus, the stock is a Dividend Aristocrat that increases its payout to investors each year.

Lastly, another solid option is **BCE**. BCE is a massive blue-chip like Enbridge and also happens to be a Canadian Dividend Aristocrat. So, although BCE only yields 5.4% today, that's still a significant amount for such a safe dividend. Plus, as the company increases its dividend, the yield on cost of your investment will naturally improve.

Owning dividend stocks is one of the best and safest strategies for long-term investors. So, if you're a Canadian investor that wants to start earning a tonne of growing passive income, I'd utilize your TFSA and find the top Canadian stocks that you can commit to for the long haul.

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Date

2025/08/24

Date Created

2021/11/29

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