



Got \$6,000? Earn \$30/Month Tax-Free Passive Income in 2022 and Beyond

Description

The stock market is where most have burned their hands and given up on equity investing. Some get caught in so-called guaranteed returns or make risky trades in derivatives or intraday trading and lose everything they invested. There is no such thing as guaranteed returns in the stock market. But the stock market has some lower-risk stocks that can help you generate passive income for a long time.

Passive income and taxation

Income is income, be it [active](#) or [passive](#). The Canada Revenue Agency (CRA) taxes all income. But you can make passive income from stock market investing tax free. The CRA allows you to invest \$6,000 in your Tax-Free Savings Account (TFSA) this year, and any income you generate from this amount will be exempt from tax.

Here are three stocks that can earn you \$30/month in passive income, possibly for the next five to eight years. They can even increase this passive income in a growth scenario, but vice versa could also happen in the event of a major crisis.

- **BCE** ([TSX:BCE](#))([NYSE:BCE](#))
- **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#))
- **SmartCentres REIT** ([TSX:SRU.UN](#))

BCE stock

BCE needs no introduction, as most Canadians use its mobile and broadband network. The telecom giant enjoys the largest market share and a strong reach with its vast infrastructure. And now, it has accelerated its capital spending to upgrade to 5G and broaden its coverage to more Canadians. Telecom is a necessity in this internet age. The high cost of building infrastructure makes it easy for BCE to add more subscribers wherever it builds a network.

As the 5G rollout gathers momentum, BCE's revenue and earnings could see above-average growth in

the next five years. New subscriptions and upgrades to 5G could bring more cash flow. Some of this cash will go into paying for the capital it invested in building the infrastructure, and some will go to shareholders as dividends.

In the last 10 years, BCE has [increased](#) its dividend at a compounded annual growth rate (CAGR) of 4.1%. The stock also appreciated 57%. It currently has a 5.27% dividend yield that can give you \$105.4/year in passive income on a \$2,000 investment, excluding capital appreciation and dividend growth.

Enbridge stock

Enbridge has the largest pipeline infrastructure in North America. Canada exports more than 90% of its oil and natural gas production to the United States. As countries reduce investment in oil and gas development, existing pipelines could become more valuable. Enbridge could command higher toll money for the transmission of oil and gas.

Enbridge increased its dividend at a CAGR of 11.8% in the last 10 years, but now I expect this growth rate to [slow](#) to 3-5%, as building pipelines become difficult. The stock compensates slow dividend-growth rate with a high dividend yield of 6.57%. You can earn \$131.4/year in passive income on a \$2,000 investment.

SmartCentres REIT

Unlike BCE and Enbridge, SmartCentres REIT does not have a history of regular dividend growth. But it has a record of paying a regular monthly dividend, even in crises. The REIT did not cut its dividend during the pandemic, while its peers did. SmartCentres gets this resilience from its 25% rent exposure to **Walmart**. The REIT is diversifying into commercial and residential properties near its retail properties. Building a whole township could help it grow dividends in the future.

SmartCentres REIT has a dividend yield of 5.85% that could earn you \$117/year in passive income on a \$2,000 investment.

\$30/month passive income in 10 years

If you add up annual dividends from all three stocks, you can earn \$354 by the end of 2022, which converts to \$29.5 per month. These stocks have +20 years of dividend-paying history. If I take a conservative approach, \$30/month passive income converts to a total dividend income of \$3,540 in 10 years, assuming no dividend growth. In a growth scenario, your total passive income from the \$6,000 investment would round up to \$4,000, and any capital appreciation is an added bonus. All this income is tax free.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:ENB (Enbridge Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:ENB (Enbridge Inc.)
5. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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Date

2025/08/20

Date Created

2022/01/14

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