How Canadians Can Make $300 a Month in Passive Income

Description

In a time when volatility in the stock market is spiking, I'd recommend considering creating a passive-income stream. Income generated through dividend stocks could help balance out some of the losses that Canadian investors have experienced in recent weeks.

Typically, dividends are paid out by companies on a quarterly basis. For every share an investor owns, a quarter of the annual dividend is paid out every three months.

Investing in dividend stocks

Canadians have a few choices when it comes to selecting the type of account to own dividend stocks in. If you're focused on building an accessible passive-income stream, I'd suggest using a Tax-Free Savings Account (TFSA).

TFSAs allow Canadians to make withdrawals at any point in time without any tax penalties. On top of that, passive-income gains generated by dividend stocks can compound year after year — once again, completely free of being taxed.

The annual contribution limit for TFSAs in 2022 is $6,000, the same as it has been since 2019. But the total TFSA contribution limit for Canadians is $81,500 when adding up all yearly limits since the savings account was introduced in 2009.

There's no need to worry if you're behind on your savings. Unused TFSA contributions can be carried over from year to year.

Generating $300 a month in passive income

The **TSX** has no shortage of high-yielding dividend stocks. I've put together a list of three top companies that passive-income investors will want to have on their radar. At today's stock prices, all three of these dividend stocks yield 4.5% or higher.

If you've managed to max out your TFSA, an $81,500 investment in these three dividend stocks could provide a portfolio with upwards of $3,500 a year in passive income. That's good enough for more than $300 a month.

Bank of Nova Scotia

If dependability is a key focus for you, this Dividend Aristocrat should be at the top of your watch list. **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) has been paying a dividend to its shareholders for close to 200 years. On top of that, management has increased the dividend in 43 of the past 45 years.

At today's stock price, the $110 billion bank's annual dividend of $4 a share yields 4.5%.

Telus

Passive-income investors with a focus on growth should have **Telus** (TSX:T)(NYSE:TU) on their radars.

The dividend stock's returns are on par with the Canadian market over the past five years. But with the massive growth opportunity from the expansion of 5G technology, I'm betting that Telus will be a market beater in the coming decade.

On top of that growth, Telus's annual dividend of $1.31 a share yields 4.5%.

Manulife

Last on this list is the highest-yielding of the three companies. At today's stock price, **Manulife's** (TSX:MFC)(NYSE:MFC) dividend yields more than 5%.

The insurance stock is far from the fastest-growing company on the TSX. But there aren't many dividend stocks that yield upwards of 5%.

If you're focused on driving as much passive income as possible in your TFSA, Manulife is an excellent choice.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:MFC (Manulife Financial Corporation)

3. NYSE:TU (TELUS)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:MFC (Manulife Financial Corporation)
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