TSX Stocks: An Easy Way to Earn $373 a Month Tax Free in Passive Income

Description

People avoid investing in stocks mainly because of volatility. But not all stocks are equally volatile and risky. Just like restaurants have a variety of menus to satisfy different palates, the stock market also has plenty of options with stocks of different risk-and-reward characteristics.

Conservative investors can go for defensive, dividend-paying stocks, while aggressive investors who can stomach the volatility can consider growth stocks. Here are some relatively safe TSX stocks for passive-income investors.

Enbridge

Canadian energy pipeline company **Enbridge** (TSX:ENB)(NYSE:ENB) is one dividend superstar. It yields a handsome 6.3%, and it has increased the dividend every year since 1995.

Now, there is a reason behind its stable dividend profile. The company operates a steady business model that generates predictable earnings. Enbridge's earnings do not significantly move as oil and gas prices move.

However, it earns a fee on the volume of energy commodities carried via its pipeline. The majority of its revenues come from long-term, fixed-fee contracts, which provide added security to investors.

Its huge pipeline network provides a competitive advantage and is a cash flow machine. Enbridge plans to pay out 60-70% of its distributable cash flow annually among shareholders in the next few years.

If you are looking for a low-risk investment that generates a decent passive income, Enbridge should be on top of your list.

BCE

Canada's biggest telecom company **BCE** (TSX:BCE)(NYSE:BCE) is another TSX stock that offers a sizeable dividend. It is currently trading at a dividend yield of 5.4% — way higher than average TSX stocks.

BCE has increased its net income by a meagre 2% CAGR in the last 10 years. That's far lower than some of the top growth stocks. However, telecom companies like BCE are mature ones and grow very slowly. Moreover, their earnings have a low correlation with economic cycles, and thus, these stocks are also much less volatile.

Despite lower earnings growth, BCE stock has returned 60% in the last five years and 170% in the last decade.

BCE could see accelerated earnings growth in the next few years as the 5G rollout gains steam. As a result, Investors could see meaningful value unlocking with notable capital growth and dividend hikes.

Canadian Utilities

Canadian Utilities (TSX:CU) is my third pick if you are looking for stable dividends. It yields a decent 5% at the moment and keeps the throne of the longest dividend increases in Canada. Driven by its stable earnings, the company has increased its dividends for the last 50 consecutive years.

Utility stocks generally trade inversely to interest rates. So, some might argue that stocks like CU could underperform in the next few years. However, if your investment horizon is much longer, and your primary objective is to earn a passive income, Canadian Utilities stock is an apt pick.

Bottom line

These three TSX stocks are comparatively stable and offer an attractive risk/reward proposition. I recommend investing via TFSA (Tax-Free Savings account) to generate tax-free gains.

Considering the average yield of 5.5%, if you invest the full accumulated TFSA limit of $81,500 equally in these TSX stocks, you will generate $4,482 annually, or $373 monthly, in dividends.

CATEGORY

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2. NYSE:ENB (Enbridge Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:CU (Canadian Utilities Limited)
5. TSX:ENB (Enbridge Inc.)

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