Easily Make $266 in Tax-Free Passive Income Each Month With These TSX Stocks

Description

The steep rise in unemployment rates at the start of 2020 brought forward the fickle nature of the global economy. Given that recessions are part of economic cycles, it makes sense to be prepared for the worst. One way is to create a passive-income stream by investing in blue-chip dividend stocks such as **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) and **Telus** (TSX:T)(NYSE:TU).

Identify passive-income stocks for your TFSA

Investors need to shortlist companies that offer a tasty dividend yield and the opportunity to benefit from long-term capital gains as well. These companies should generate stable cash flows across business cycles, making dividend payouts sustainable over time.

So, you need to consider companies that have a leadership position in the sector where they operate, allowing them to enjoy a wide economic moat. Further, if these stocks are held in a TFSA (Tax-Free Savings Account), you can also benefit from tax-free gains.

Toronto-Dominion Bank

One of the largest banks in the world, Toronto-Dominion has returned almost 300% to investors in dividend-adjusted gains in the last 10 years. In fiscal 2021, which ended in October, TD Bank increased adjusted earnings to $14.6 billion, or $7.91 per share, which was 48% higher compared to the year-ago period. A key driver for the uptick in earnings was the $7.5 billion decline in provision for credit losses.

In Q4 of fiscal 2021, TD's revenue was up 8% year over year due to higher volume growth and higher fee-based revenue in its Wealth and Banking business. TD's average loan volume was up by 8%, while average deposits increased by 11% in Q4.

TD stock continues to trade at an attractive valuation as analysts expect earnings to rise by 10% in the next five years. Comparatively, it is valued at a forward price-to-2022 earnings multiple of 14 times, which is reasonable given its forward yield of 3.4%.

Telus

Telus is a Canadian telecom heavyweight and has returned 230% to investors after adjusting for dividends. In Q3 of 2021, Telus delivered strong operational and financial results, as the company recorded high customer growth of 277,000 new additions. Its revenue grew by 7.7% year over year while EBITDA was down marginally due to COVID-19-related impacts.

Telus also reported 111,000 mobile phone net additions in Q3 and wireless net additions that include mobile and connected devices stood at 198,000.

The company's broadband network performed well in the current environment, which is characterized by evolving usage patterns. It continues to roll out 5G and fibre networks, which will be a key revenue driver for Telus in the upcoming quarters.

Due to its stellar performance in Q3, Telus resumed its multi-year dividend-growth program. It aims to grow dividends between 7% and 10% in the next year, driven by strong free cash flow generation. It's the 19th dividend increase for Telus since 2011 reinforcing the strength of its financial and operational performance.

The Foolish takeaway

The cumulative contribution room for your TFSA stands at $81,500. So, if you invest a total of $81,500 between the two stocks, you can generate close to $266 in monthly dividends given an average yield of 3.95% and an annual payout of more than $3,000. But investing a significant amount of capital in just two stocks is a risky proposition, and you need to identify similar blue-chip stocks to create a robust dividend portfolio.

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