TFSA Passive Income: How to Make More Than $200 a Month Tax Free

Description

It's never a bad idea to have an additional source of income, especially during volatile market periods. The Canadian stock market experienced wild price swings in January, which is one of the reasons why I've got a couple of dependable dividend stocks on my radar right now.

Tax-free passive income

When it comes to owning dividend stocks, you'd be wise to consider investing through a Tax-Free Savings Account (TFSA). TFSAs not only allow for tax-free withdrawals, but capital gains and passive income are also not taxed. This means that investments can compound year after year without you ever needing to pay a penny of tax.

The total TFSA contribution limit for Canadians aged 18 or older in 2009 is $81,500. The annual limit is $6,000 for 2022, but unused contributions can be carried over from year to year.

Let's look at an example of how a Canadian could earn upwards of $200 a month in passive income. Assume that a TFSA was maxed out with $81,500 invested in a variety of different dividend stocks. Now, let's assume, for simplicity's sake, that all dividend stocks are currently yielding 3.5%. An $81,500 investment in a dividend stock yielding 3.5% would earn the shareholder close to $3,000 a year in passive income, or $237 a month.

Here are two Canadian dividend stocks that are both yielding upwards of 3.5%. If you're interested in building a passive-income stream, I'd have these two companies at the top of your watch list.

Dividend stock #1: Sun Life

For most investors, insurance stocks are far from the most exciting companies to invest in. But when it comes to building a dependable passive-income stream, there's nothing wrong with boring. In fact, boring can be a good thing.

At a market cap of close to $45 billion, **Sun Life** (TSX:SLF)(NYSE:SLF) is Canada's second-largest insurance provider. But the company also boasts an international presence, providing its shareholders plenty of global diversification.

Slow and steady is the name of the game for Sun Life. Over the past decade, the dividend stock has quietly returned market-beating gains while also paying a top dividend. Shares are up close to 250% over the past 10 years, and that's not even including dividends.

At today's stock price, Sun Life's annual dividend of $2.64 per share yields 3.6%. An $81,500 investment in Sun Life today would generate close to $250 in passive income per month.

Dividend stock #2: Fortis

Speaking of boring investments, utility companies might be some of the least-exciting stocks on the **TSX**. But again, if you're looking to build a passive-income stream that you can count on, boring stocks should be embraced.

One of the reasons why utility stocks are such dependable investments is because demand does not waiver based on the condition of the economy. Regardless of if the economy is booming or stuck in a recession, revenue levels tend to remain fairly stable for utility companies quarter after quarter.

Nearing a market cap of $30 billion, **Fortis** (TSX:FTS)(NYSE:FTS) is one of the more prominent utility providers in Canada. And like Sun Life, Fortis doesn't only serve Canadian customers. The company has a growing presence in the U.S.

Fortis's annual dividend of $2.14 per share yields just about 3.6% at today's stock price.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)
3. TSX:SLF (Sun Life Financial Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. kduncombe
2. ndobroruka

Category

1. Dividend Stocks
2. Investing

Date
2025/06/30
Date Created
2022/02/10
Author
ndobroruka