Earn $385/Month With Just Your TFSA Funds

Description

It's not advisable that you pour all (or almost all) your TFSA capital in pure dividend stocks that offer minimal capital appreciation. The reason is that with the right growth stocks, you can grow your accessible TFSA capital for your short-term investment and financial goals.

Still, if your primary reason for investing is generating a reliable tax-free passive income from your TFSA, three stocks should be on your radar.

A fully stocked TFSA in 2022 can have $81,500, but you can generate $385 a month without using every last penny and investing about $25,000 in each of the three stocks.

A commercial REIT

SmartCentres REIT (TSX:SRU.UN) grew its payouts between 2013 and 2020, earning itself a place among the aristocrats. But since it didn't raise its payouts in 2021, its status as an aristocrat is a little dubious. Still, the dividend sustainability potential of the REIT is endorsed by more than just its dividend history. The REIT has an excellent track record regarding payout ratios, which have only crossed the 100% threshold twice in the last 10 years.

The REIT is the leader in the enclosed mall space niche of the commercial real estate industry, and a hefty portion of its portfolio is anchored by **Walmart**, which can essentially be considered an evergreen tenant. The REIT has also expanded into multifamily development and ownership.

It's currently offering a healthy 5.78% yield, and the payout ratio is rock solid (38%). The valuation is also quite attractive.

A power generation company

For investors looking to add some environmental friendliness in their dividend portfolios, **TransAlta Renewables** (TSX:RNW) is an option worth considering. It has an impressive portfolio of power-generating assets, including hydro and solar, though over 90% of the company's cash is generated by its natural gas and wind assets.

Most of the facilities under the company's banner are in Canada, but it also has a presence in the U.S. and Australia. Almost all the power it generates is contracted out, and the average contract life is over 12 years, which ensures income and, consequently, dividend sustainability. TransAlta is currently offering a juicy 5.53% yield.

A mortgage company

MCAN Mortgage (TSX:MKP) is an outstanding dividend stock that offers a relatively healthy (especially compared to the other two) capital-appreciation potential. The company offers a mouthwatering 7.23% yield and a 10-year CAGR of 11.6%. And the best of both worlds is currently relatively underpriced.

As a federally regulated mortgage investment company (which makes it more conservative compared to other mortgage players), MCAN offers dividend stability from a business model perspective. And this stability is endorsed by a very healthy payout ratio of about 50%.

At this yield, your $25,000 in the company will get you over $150 a month. If you combine it with the $115/month from TransAlta, and $120 a month from SmartCentres, your total monthly income from the three dividend stocks would become $385.

Foolish takeaway

The three dividend stocks will allow you to create a dividend income stream that's likely to continue paying you for decades. And considering the dividend-growth history of SmartCentres and MCAN, you may even get yearly raises. Even if they are just high enough to outpace inflation, that's an added bonus, along with any capital appreciation you get.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:MKP (MCAN Mortgage Corporation)
2. TSX:RNW (TransAlta Renewables)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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