



TFSA Passive Income: How to Easily Earn \$300/Month for Life!

Description

The [Tax-Free Savings Account](#) (TFSA) is a wonderful tool for Canadian investors looking to build wealth over the long term. If you invest in stocks through your TFSA, all capital gains, interest income, and dividend income are protected from tax.

If you follow the [TFSA rules](#), there is no reporting required and the Canada Revenue Agency (CRA) will stay away from your hard-earned gains. By paying no tax, you can accelerate your long-term rate of return.

No tax means your money can compounded even faster

In essence, if you factor out the tax you would pay outside of a TFSA, Canadians save as much as 10-20% of their cash returns (depending on your tax bracket). That is 10-20% more cash that can be saved/spent, or, even better, reinvested.

If you don't need passive income to sustain your lifestyle, the TFSA is a great place to accumulate and compound wealth from dividends. In fact, with as little as \$70,000 of initial capital, you could easily earn as much as \$300 per month in passive income. Here is one way you could build a portfolio that produces enduring streams of low-risk passive income.

A top telecom stock for passive income

First, you could put \$35,000 into **BCE** ([TSX:BCE](#))([NYSE:BCE](#)) stock. After its recent decline, you could buy about 360 shares at \$69 a piece. BCE has been a Canadian telecommunications stalwart. It is not a fast-growing business, but it is Canada's largest telecom player, and it has a strong economic moat. It is a low-risk bet on Canada's long-term economic growth.

BCE has been a dividend-growth machine. It has increased its dividend by a 5% compounded annual rate over the past decade. Its dividend is up over 65% from its rate in 2012! Today, this TFSA stock offers an attractive 5.25% dividend.

A \$25,000 investment would yield \$459 every quarter. That is \$153 averaged out monthly. Keep in mind, that dividend rate is very likely to keep growing, so your income stream will only grow and compound inside a TFSA.

A top TSX utility for you TFSA

Secondly, you could put \$35,000 into another low-risk **TSX** stock, like **Algonquin Power and Utilities** ([TSX:AQN](#))([NYSE:AQN](#)). Its stock has given up all its gains made in 2022, and it looks like an attractive bargain at \$17.50 per share. You could buy around 1,430 shares at today's price.

Algonquin is attractive for its highly regulated portfolio of diversified utility assets. These generate steady streams of cash that support a \$0.215 per share dividend every three months. Algonquin also has a large renewable power development pipeline. Given global energy supply concerns, this portfolio should only grow in the years to come.

Algonquin stock yields 4.85% today. A \$25,000 investment would earn \$424 every quarter, or \$141 averaged monthly. Algonquin has a strong history of increasing its dividend annually by a high-single digit rate. It presents some of the fastest growth amongst utility peers, so that makes it an attractive passive-income stock for your TFSA.

The Foolish bottom line on TFSA passive income

I would recommend a more diversified stock portfolio in your TFSA than suggested above. Eight to 10 stocks are often a sufficiently diversified portfolio mix for a portfolio that size.

However, this simply demonstrates how Canadians can actually build attractive, *growing* streams of passive income. With patience and a long investment horizon (10 or more years), this simple TFSA portfolio has the potential to [build significant wealth](#) at relatively low risk.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

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2. NYSE:BCE (BCE Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)

4. TSX:BCE (BCE Inc.)

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