3 Stocks to Turn Your TFSA Into a Cash-Printing Machine

Description

Given the limitations of the TFSA with it comes to contributions, it's a bit difficult to start a sizeable enough passive income, no matter how generous the stocks that you pick. However, if you choose the DRIP strategy, you may be able to raise your stake in decent dividend companies to a sizeable enough sum (given enough time) to augment your primary income meaningfully.

One of the Big Five

Canadian banking stocks have a reputation for stability as well as being generous with their payouts. Currently, **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) is leading the pack regarding dividend yield. The bank is currently offering an attractive 4.9% yield at a healthy payout ratio of 46.3%. The payout ratio has only broken through the 50% safe mark for two years in the last decade (2019 and 2020).

One factor behind this juicy yield is the 13% price discount the stock is offering right now. The current slump/correction might continue, though if the stock is going for its pre-pandemic valuation, it only has a small way to go since it's trading at just a 9% premium

To start a sizeable passive income, you might divert a significant portion of your TFSA funds to this bank, but even $25,000 will only get you about $100 a month. So, DRIP for growing your stake might be a better option.

An insurance giant

Another giant from the financial sector operating in a different domain is **Manulife Financial** (TSX:MFC)(NYSE:MFC). As one of the largest insurance companies in Canada and one of the largest life insurance companies in the world (at least by market cap), the company comes with a lot of financial and reputational stability.

It has an impressively diverse consumer base (geographically and operationally) and is currently quite undervalued, with a price-to-earnings multiple of just seven. Its capital-appreciation potential is quite mild, but it's an established aristocrat currently offering a juicy 5.3% yield. So, if you invest $25,000 from your TFSA funds into this company, you can have a monthly income of about $110.

A mortgage broker

The residential and, to an extent, commercial mortgage industry in Canada is dominated by big banks. Yet **First National Financial** (TSX:FN) has managed to carve up a decently sized market for itself as a private mortgage lender (the largest of its kind in the country). It has a decent portfolio of commercial and residential mortgages.

It's also a Dividend Aristocrat that's currently offering a mouthwatering 6.87% yield, and the payout ratio is relatively safe and 72.5%. The high yield is a by-product of the brutal correction the company is currently experiencing, which has pushed the stock down 34% already. At this yield, you can make about $142 a month by investing $25,000 in the company.

Foolish takeaway

With these three aristocrats, you can start a passive income of about $352 a month by investing $75,000 from your TFSA. This amount has a high probability of increasing year over year, and the three stable companies also offer reasonable capital preservation. And if you can take advantage of the market conditions and buy the dip, you might also see decent capital appreciation.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:FN (First National Financial Corporation)
5. TSX:MFC (Manulife Financial Corporation)

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