TFSA Investors: 2 Stocks to Make $405/Month in Tax-Free Passive Income

Description

The ongoing volatility in the market and fear of an economic slowdown shouldn't keep you from investing in stocks. Irrespective of the volatility in the market, investors can still make tax-free passive income from stocks. The reason is that the payouts of the several TSX stocks remain immune to the economic cycles and volatility in the market, making them attractive investments to generate a reliable income. With worry-free passive income in the background, here are my top two picks.

NorthWest Healthcare Properties REIT

Let's begin with a real estate investment trust or REIT. Moreover, my top pick is **NorthWest Healthcare** (TSX:NWH.UN) within the REITs. I see three strong reasons why one should hold NorthWest Healthcare stock.

First is its strong dividend payment history. The second reason is its stellar dividend yield of 6.1%. Meanwhile, third is its defensive portfolio of healthcare real estate assets that remain immune to the economic cycles.

It's worth mentioning that NorthWest's majority of the tenants are backed by the government. This adds stability to its cash flows. Moreover, its leases have a long expiry term of about 15 years, providing clear visibility over future earnings. Importantly, its assets have a high occupancy rate, while most of its rents are indexed against inflation.

With multiple positives and reliable yield, NorthWest Healthcare is an attractive investment.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a must-have stock for TFSA investors to generate strong tax-free income. It has consistently paid and increased its dividends for 27 years. Meanwhile, it increased its annual dividend by a CAGR of 10% during the same period. What's more? Enbridge offers a solid dividend yield of 5.8%.

Diverse revenue streams support its payouts. Moreover, a higher asset utilization rate, contractual arrangements, and utility-like cash flows support its payouts. It's worth mentioning that Enbridge's approximately 80% of EBITDA is inflation protected, which is encouraging.

Enbridge projects to achieve 5-7% growth in its distributable cash flow (DCF) per share over the next three years. Meanwhile, its dividend could follow similar growth.

Strong demand, higher average realized prices for commodities, recovery in its mainline volumes, and a solid secured capital program suggest that Enbridge could easily deliver on its target. Furthermore, opportunities in the renewables segment and productivity savings will likely support its DCF per share.

Thanks to solid dividend-growth history, diversified cash flows, a resilient business model underpinned by contractual arrangement, and a sustainable payout ratio of 60-70% of its DCF, investors should lap up Enbridge stock.

Bottom line

As the dividend, interest, and capital gains are not taxed in your TFSA, it's prudent to invest in these TSX stocks through the TFSA route. Notably, investors can easily rely on these Canadian companies, as they have resilient cash flows and focus on consistently enhancing shareholders' returns amid all market conditions.

By investing in these TSX stocks, one can earn an average yield of about 6%. Thus, by putting $81,500, which is the cumulative investment limit for TFSA, one can make a tax-free passive income of $405 per month.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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