



How to Easily Make \$318/Month of Passive Income in Your TFSA

Description

The recent stock market correction has made a great opportunity to build a passive-income portfolio in your [Tax-Free Savings Account](#) (TFSA). You can't place hard assets like rental or commercial properties into the TFSA. However, you can buy stocks in a TFSA.

Pay no tax and grow your wealth

Any investment put inside a TFSA has no tax-reporting requirement. Likewise, any income, interest, or capital gain earned has zero tax consequence. The absolute best way to build wealth through passive income is to pay no tax and keep and reinvest *all* your returns. The TFSA is the ideal account to [compound wealth](#) over time.

In fact, you can build a diversified, well-balanced portfolio that could earn as much as \$318 a month in reliable passive income. Many income-producing stocks have recently pulled back, so investors can fetch some great bargains at today's prices. Here are two passive-income stocks to consider buying for your TFSA.

Algonquin Power: A defensive passive-income stock

Algonquin Power ([TSX:AQN](#))([NYSE:AQN](#)) has been a great stock for dividends and dividend growth. It owns a mix of regulated water, electric, and gas utilities across North America. It also develops renewable power projects across the world.

The combination of these two businesses provides investors with an attractive mix of stable cash flows and steady growth. This allows Algonquin to pay a \$0.235 dividend per share every quarter. At a price of \$18.41 per share today, that equates to a 5.09% dividend yield.

If you put half the allowable TFSA contribution of \$81,500 into Algonquin stock today, you would earn \$691.40 every quarter or \$172.85 averaged monthly.

The great news is Algonquin has been growing its dividend by a high single-digit rate for years. Chances are very high that your dividend payment and passive-income stream will keep growing with this stock.

TELUS: A stock for growing passive income

TELUS ([TSX:T](#))([NYSE:TU](#)) is another exceptional passive-income stock for your TFSA. It is one of Canada's largest telecommunications businesses. Internet and cellular coverage are just as vital as water and power these days. That creates a very defensive business for TELUS. It consistently generates a lot of reliable cash flow.

Over the past few years, TELUS has developed a strategy that sets it apart from its competitors. It is positioning itself to be a crucial part in the digitization of society. It has built out one of the best networks in Canada. Likewise, it has invested in innovative growth businesses in digital customer service, agriculture technology, and virtual health.

Its steady earnings growth has helped support over 7% annual dividend growth for more than a decade. At \$31.70, TELUS stock yields 4.3% today. This passive-income stock pays a quarterly dividend worth \$0.3375 per share. If you put \$40,750 (the other half of your TFSA contribution) into TELUS stock, you would earn \$438 per quarter, or \$146 averaged out monthly.

The Foolish takeaway

It is probably wise to have a more diversified TFSA portfolio than this. It is a good idea to own a mix of growth, passive income, and value stocks. However, this is meant to demonstrate that you can build a trustworthy stream of passive income in a relatively simple manner.

Do your research, find high-quality companies with attractive dividends, buy them, and then do nothing other than collecting your regular (and hopefully growing) dividend payments.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:TU (TELUS)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:T (TELUS)

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