



How to Earn \$250 a Month in Tax-Free Passive Income

Description

It was Benjamin Franklin who, back in 1789, said, “Nothing is certain but death and taxes.” However, thanks to the Tax-Free Savings Account (TFSA), that’s not entirely the case. In fact, it’s possible for Canadian investors to earn tax-free and consistently growing passive income by investing in high-quality dividend stocks using their TFSAs.

In order to do so, you need to build a portfolio of top-notch businesses that are returning attractive capital to investors. In addition, you’ll also want to find stocks that are consistently growing the dividends that they are paying.

For example, investors who have just \$50,000 to invest can build a portfolio that yields 6% and earn \$3,000 a year in passive income, or an impressive \$250 a month. And if you buy high-quality dividend growth stocks and are consistently reinvesting the cash, you can expect that passive income to grow exponentially over time, thanks to [compounding](#).

So if you’re looking to start building a tax-free passive income stream that can consistently grow each year, here are three of the best stocks to buy now.

One of the best dividend stocks to buy for passive income

One of the very best dividend stocks that Canadian investors can buy is **Enbridge** ([TSX:ENB](#)), the massive energy giant that has a [market cap](#) of more than \$100 billion.

Enbridge is a top stock to buy for passive income because it has diversified operations, provides critical energy infrastructure to the economy, earns tons of cash flow, and is constantly increasing its dividend. These are all crucial qualities of a top long-term growth stock that you can buy and forget about.

The stock offers a yield of roughly 6.25% today, and in just the last five years, including through the pandemic, it has managed to increase that dividend by over 40%.

If you're looking to build a tax-free passive income stream in your TFSA, Enbridge is a top stock to consider.

A reliable dividend growth stock to buy and hold for years

Another highly reliable dividend growth stock that, like Enbridge, is also consistently increasing its distribution to investors each year is **CT REIT** ([TSX:CRT.UN](#)). CT REIT is a retail REIT that's owned by **Canadian Tire** and receives roughly 90% of its rent from its parent company.

The stock is incredibly reliable both in terms of generating passive income and increasing its distribution payments each year. Furthermore, after selling off in the current market environment, CT REIT now offers a yield of nearly 5.5%. Just six months ago, that yield was closer to 4.8%.

If you're looking to build your passive income stream while dividend stocks are trading at a discount, CT REIT is a top stock to buy on the dip.

A top high-yield stock to buy while it's undervalued

Lastly, the highest yielding stock on this list and one that's recently sold off rapidly is **Freehold Royalties** ([TSX:FRU](#)), an exceptional energy stock.

After several dividend increases over the last year as the energy environment and economy have massively shifted, the stock is easily one of the best to buy for passive income.

Today it offers an unbelievable yield of 7.25%. However, Freehold's dividend hasn't always been this high.

At the start of the year, it was offering a yield of only 6%. Even after it increased the dividend in February, its yield at the end of March was just 6.4%.

So if you're looking to buy a high-quality energy stock at an attractive discount today and lock in a significantly higher yield, there's no question it's one of the best stocks to own for passive income.

Plus, in addition to the compelling dividend yield, its average target price from analysts of \$19.31 is a more than 50% premium to today's price. So if you're looking to buy dividend stocks that are significantly undervalued, Freehold is one I'd strongly recommend.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CRT.UN (CT Real Estate Investment Trust)
2. TSX:ENB (Enbridge Inc.)
3. TSX:FRU (Freehold Royalties Ltd.)

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