TFSA Cash: Earn $431/Month in Tax-Free Passive Income With 1 Energy Stock

Description

Earning a regular passive income not only boosts your financial situation but also adds stability amid economic downturns. Luckily, several Canadian companies are Dividend Aristocrats, implying they have been paying dividends for a long time, and one can start a reliable passive-income stream by investing in those companies.

Meanwhile, investors should use the TFSA (Tax-Free Savings Account) route. This will boost your income, as dividends are not taxed in a TFSA.

So, investors planning to invest their TFSA cash in stocks for reliable passive income could consider buying **Enbridge** (TSX:ENB)(NYSE:ENB) stock. Let's consider the factors why one should invest in Enbridge stock.

Here's why Enbridge is a reliable dividend stock

The rapid spread of the COVID-19 pandemic and strict lockdown measures across the globe wiped out energy demand. This weighed heavily on the financial and operating performances of energy companies.

Given the plunge in demand and lower average realized prices, several energy companies announced a dividend cut. However, Enbridge maintained its payouts even amid challenges. Moreover, it continued to increase its dividend, which reflects the resiliency of its business and its ability to generate steady cash amid all market conditions.

It's worth mentioning here that Enbridge has been paying a dividend for about 67 years. However, what stands out is its 27-year-long history of consistent dividend growth. Further, it increased its dividend at a CAGR of 10% since 1995, which is the highest growth rate among its peers.

Its strong history of dividend payments and growth, and resilient business suggest that Enbridge stock is a reliable investment to generate regular passive income.

Future payouts are well covered

The increase in economic activities, underinvestment in new supply, and disruptions from Russia/Ukraine war have led to a sharp rise in crude and energy prices, which bodes well for the sector.

The recovery in demand and higher prices are leading energy companies to pay down debt and enhance shareholders' returns through higher dividend payments and share buybacks.

As for Enbridge, the recovery in its mainline volumes and a solid mix of conventional and renewable energy assets positions it well to deliver stable cash flows that will cover its payouts. Enbridge could benefit from its 40 diverse cash streams. Meanwhile, the company is advancing well on organic growth opportunities and plans to bring multi-billion capital projects into service in the medium term.

Its strong capital investments will provide a strong foundation for future growth and drive its distributable cash flows. Meanwhile, Enbridge is modernizing our assets, fortifying its export strategy, and expanding renewable power-generation capabilities.

Further, its inflation-protected EBITDA, investment-grade customers, productivity savings, and strategic acquisitions suggest that Enbridge could handily cover its payouts and boost its shareholders' returns.

Make $431/month through Enbridge stock

TFSA investors can earn a tax-free dividend yield of 6.4% by investing in Enbridge stock at current levels. Thus, by investing $81,500 cash (cumulative investment limit for TFSA), investors can make a tax-free passive income of over $5,175/year, or $431 per month.

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