



TFSA Passive Income: Here's 3 Cheap TSX Stocks That Earn Over \$300/Month

Description

Market downturns are the ideal time to boost your passive income. Even top **TSX** [dividend stocks](#) are getting cheaper. As dividend stock prices go down, their dividend yield goes up.

Maximize passive income by buying stocks in a downturn

That means when the market temporarily slumps, long-term passive income investors can lock-in outsized quarterly or monthly cash returns on their cost basis.

It takes guts to buy stocks when they're down. Yet, if you have a long-term investment horizon, it's often the best way to earn outsized cash returns. If you really want to maximize your dividend income returns, you should consider investing through your [Tax-Free Savings Account](#) (TFSA).

Earn passive income tax-free through the TFSA

The TFSA is the only CRA-registered account that allows Canadian investors to put money into the account, invest it, earn income/capital returns, and withdraw from the account completely tax-free!

If you want to compound your passive income, it's a perfect solution. You pay no tax on your dividend income, so all cash returns can be re-invested into more passive income-producing stocks (or withdrawn if necessary).

That's why the TFSA is the best way to maximize your long-term passive income returns. Here is one way you could build an income stream that pays an average of over \$300 monthly.

Dream Industrial REIT

Firstly, I would consider putting \$25,000 into **Dream Industrial Real Estate Investment Trust** ([TSX:DIR.UN](#)). This passive income stock is down almost 27% this year. Yet, not for any operational or

financial reasons. It just announced second quarter results, and funds from operation (FFO) per unit (a core profitability metric for REITs) rose year-over-year by 12.6% to \$0.22.

This REIT operates a high-quality portfolio of multi-tenant industrial properties in top markets across Canada and Europe. There has been very strong demand for its properties. Its rental income has swiftly been rising by the double-digits. That should support strong growth in the second quarter as well.

This passive income stock yields a healthy 5.6% right now. Its price-to-AFFO (adjusted funds from operations) is near a three-year low (other than the March 2020 crash) and its valuation looks attractive. Your \$25,000 of capital would earn nearly \$115 of distributions every month.

Royal Bank of Canada

Another passive income stock that looks cheap is **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)). After a 7% stock decline, this high-quality bank stock looks very attractive at 11 times earnings. Only six months ago, it traded for a premium of 13 times earnings.

Likewise, its dividend payout is attractive. The bank has been growing its dividend for nine consecutive years, and based on the past five years, it has the second-highest dividend growth rate among the big-six banks. Right now, this stock trades with a 4.1% dividend yield. Its five-year average is closer to 3.8%. \$25,000 in Royal Bank stock would earn \$237.50 every quarter or \$79.17 averaged monthly.

For one of Canada's [best managed](#) and best performing bank stocks, Royal Bank looks like a sweet bargain for long-minded dividend investors.

Superior Plus

One value-priced passive income stock that may not be on your radar is **Superior Plus** ([TSX:SPB](#)). It's down 11% this year, trading with a juicy 6.2% dividend yield. That is above its five-year average yield of 6%.

Superior Plus is one of the leading distributors of propane for retail and commercial customers in Canada and the United States. It's been fast consolidating the industry, especially in the U.S. That is expected to drive long-term earnings growth.

To generate shareholder returns and grow the business, the company has set an ambitious goal of growing its EBITDA (earnings before interest, taxes, depreciation, and amortization) from \$402 million in 2020 to \$700-750 million by the end of 2026. Propane is an essential fuel for residential and commercial properties, and in niche industries like farming. As a result, Superior Plus is able to capture reliable cash flow streams.

\$25,000 in this stock would earn \$129.16 monthly. For a passive income stock with an outsized yield and a decent growth profile, Superior Plus is a stock to consider today.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:RY (Royal Bank of Canada)
2. TSX:DIR.UN (Dream Industrial REIT)
3. TSX:RY (Royal Bank of Canada)
4. TSX:SPB (Superior Plus Corp.)

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