



## TFSA Passive Income: How to Earn \$210/Month With These 2 Dividend Stocks

### Description

The TFSA, or Tax-Free Savings Account, is ideal for accumulating dividend income. Any income earned in the TFSA is exempt from Canada Revenue Agency taxes, making it a perfect account to buy and hold blue-chip dividend stocks.

### How to compound passive income in your TFSA

Canadian investors should look to park their funds in quality [dividend stocks](#). These blue-chip investments will help you derive a steady stream of recurring income. You can also look to reinvest these payouts and benefit from compounded gains over time.

There are several companies trading on the TSX that pay investors dividends. However, not every dividend-paying stock is a good investment. There are several criteria you need to consider before investing in companies that have dividend payouts.

An ideal company will generate cash flows across business cycles and expand earnings consistently, which, in turn, will lead to dividend increases. Further, investors should also benefit from long-term capital gains.

The ongoing equity market selloff has meant quality dividend stocks are offering elevated yields to investors. So, it's a good opportunity to leverage the benefits of your TFSA and build a passive-income stream. If you allocate \$40,000 each to these two top Canadian dividend stocks, you can earn over \$200 each month.

### A renewable energy giant

**Brookfield Renewable** ([TSX:BEP.UN](#))([NYSE:BEP](#)) is among the largest clean energy companies in the world. It has 21 gigawatts of renewable energy assets across wind, hydro and solar power. Further, it has a development pipeline of projects that will increase its power-generating capacity by another 69 gigawatts.

Brookfield Renewable disclosed it would deploy between US\$1 billion and US\$1.2 billion annually over the next five years to expand its base of cash-generating assets. The world is experiencing an accelerated shift towards clean energy solutions, which should act as a massive tailwind for Brookfield Renewable and its peers.

In the last two decades, Brookfield Renewable has increased dividends by 6% annually. It currently offers investors a forward yield of 3.24%, which is quite tasty. The company's leadership position, wide economic moat, and global reach allow it to deliver a solid performance since the start of this century.

Brookfield Renewable confirmed around 90% of its cash flows are contracted, making them durable and predictable. This company is well poised to beat the broader market in the upcoming decade and beyond.

## An inflation-resistant stock

**Brookfield Infrastructure** ([TSX:BIP.UN](#))([NYSE:BIP](#)) is a diversified company and is one of the largest owners of global infrastructure networks that facilitate the movement and storage of energy, passengers, data, and freight.

It is among a handful of publicly listed companies that invest in quality infrastructure assets with high-profit margins and stable cash flows. Due to its robust business model, Brookfield Infrastructure has generated over 500% in dividend-adjusted returns to investors since August 2012.

It still offers investors an attractive dividend yield of 3% and aims to grow these payouts between 5% and 9% each year in the future, thereby providing impressive risk-adjusted returns to shareholders.

In the second quarter (Q2), the company's funds from operations stood at US\$513 million, increasing 30% compared to the year-ago period. Its bottom line was driven by outperformance in the transport segment, inflation-linked tariffs, and contributions from recent acquisitions.

In the last six months, Brookfield has already deployed or secured new investments totaling US\$2.8 billion, easily outpacing its annual target.

## The Foolish takeaway

The maximum cumulative TFSA contribution room is \$81,500 in 2022. So, if this amount is equally distributed between the two stocks, you can generate around \$2,540 in annual dividends, resulting in a monthly payout of over \$210.

But it does not make sense to allocate such a large sum to just two stocks. Instead, you should identify a basket of blue-chip companies and diversify your holdings, reducing overall risk.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)

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