Interested in Tax-Free Passive Income? Earn $339 Per Month for Life

Description

If you're not taking advantage of a Tax-Free Savings Account (TFSA), then you could be leaving a lot of gains on the table. Despite being labelled a "savings account," investors can use a TFSA to buy stocks. If you were to buy solid dividend stocks in one of these accounts, then you could pocket all those dividends tax free. Holding high-yield dividend stocks could result in a very solid source of passive income over the long term.

Here are three stocks that could help you build a tax-free source of passive income.

Buy one of the Big Five Canadian banks

When it comes to a TFSA, the Big Five Canadian banks could be a good choice. This is because these companies have established very formidable moats over the past few decades. That makes them relatively safer companies to invest in compared to some of the other popular stocks that investors will hold in their portfolios. In addition, the Big Five Canadian banks all distribute high-yielding dividends. If I could only pick one of the Canadian banks to invest in, I would have to go with **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS).

This company has been paying shareholders a dividend since July 1, 1833. Since then, it has never missed a dividend payment. That represents 189 consecutive years of dividend distributions. In addition, this stock offers a very attractive forward dividend yield of 5.08%. That combination of a long dividend history and high yield is exactly what investors should be looking for in a solid dividend stock.

This financial institution could be a good pick as well

There are many other solid dividend stocks within the financial sector that investors should consider holding in a TFSA. Take **Manulife Financial** (TSX:MFC)(NYSE:MFC) for example. With more than $1 trillion of assets under management, this is one of the largest fund managers in the world. Insurance companies are interesting stocks to invest in because they're cash machines. They receive payments on a recurring basis in the form of a premium and really only lose money when covering claims.

Looking at its dividend, Manulife offers a very attractive forward dividend yield of 5.41%. Investors will also be pleased to know that Manulife is listed as a Canadian Dividend Aristocrat. That makes it an elite Canadian dividend stock. With a dividend-payout ratio of 33%, this company has a lot of room to continue increasing its dividend in the future.

Invest in this Canadian behemoth

Finally, investors should consider holding **Telus** (TSX:T)(NYSE:TU) in their TFSA. This company is one of the Big Three Canadian telecom providers. In fact, it operates the largest telecom network in Canada. Its coverage area accounts for 99% of the Canadian population. In addition to that business, Telus has emerged into a major player in the healthcare space. It provides a suite of professional and personal healthcare solutions. The most notable of which may be MyCare, which is its telehealth platform.

Like the other two companies discussed here, Telus is listed as a Canadian Dividend Aristocrat. It has managed to increase its dividend in each of the past 17 years. Today, Telus offers investors a forward dividend yield of 4.50%.

Foolish takeaway

As of this writing, holding these three stocks would result in an average dividend yield of 4.997%. If you were at least 18 years old by 2009 (when the TFSA program was first created), then would have a maximum contribution limit of $81,500. Investing that amount into these three stocks would result in an annual dividend of $4,072, or $339 per month.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:MFC (Manulife Financial Corporation)
3. NYSE:TU (TELUS)
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5. TSX:MFC (Manulife Financial Corporation)
6. TSX:T (TELUS)

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