



## TFSA Passive Income: Earn \$100/Month in Dividend Payments

### Description

Most economies are flirting with recession if central banks remain firm on implementing more rate hikes to curb fast-rising inflation. Vanguard's economic projections show a 50% probability of recession over the next 12-18 months. It said the odds have increased due to supply constraints of food and energy and other products and tight labour markets.

Higher costs of living and a prolonged inflation will surely hurt many consumers and households. If you're a Tax-Free Savings Account (TFSA) user, now would be a good time to catch up on your contributions if finances allow. The [versatile investment account](#) is the best place to hold income-producing assets like stocks, because all gains or interest inside a TFSA are tax free.

Also, earning passive income every month to boost your disposable income is possible. Most dividend payers on the TSX pay every quarter, although more than a handful pay monthly dividends. The top two picks in this select group trade at less than \$50 per share, and the average dividend yield is 5.255%.

Assuming your available TFSA contribution room is \$23,000 (\$11,500 position in each), you can receive \$100.72 dividend payments every month.

### Pick No.1

**Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)) is the top-of-mind choice for several reasons. Besides the generous dividend yield of 5.22%, the avenues and opportunities for future growth are vast. At \$48.31 per share, this top-ranked energy stock is beating the market (+30% year to date).

The \$26.81 billion company is a stalwart in North America's oil and gas midstream industry. It derives revenue from three core segments, namely Pipelines, Facilities, and Marketing & New Ventures. In the second quarter (Q2) of 2022, Pembina delivered superb financial results.

Revenue growth versus Q2 2021 was 62.7%, while net earnings increased 64.6% year over year to \$418 million. Pembina's cash flow from operating activities was \$604 million, or 3.4% higher than in the

same quarter last year. On a year-to-date basis, total profit is \$899 million, which represents a 56.6% growth from the first half of 2021.

Pembina has no problems generating robust cash flow from operating activities since the majority of cash comes from fee-based contracts. The cash flow it generates is more than sufficient to meet operating obligations and fund dividends and capital expenditures in the short term and long term.

## Pick No. 2

**Exchange Income Corp** ([TSX:EIF](#)) is a top-performing industrial stock. Like Pembina, it's faring better than the broader market (+16.7%) so far in 2022. The current share price is \$47.64, while the dividend offer is 5.29%. Market analysts covering the stock are bullish. Their 12-month average price target is \$61.22 — an upside potential of 28.5%.

The \$1.91 billion diversified acquisition-oriented company relies on two core divisions to generate income. Its aerospace & aviation business and the manufacturing segment are the backbones of the company. In Q2 2022, revenue increased 64% versus Q2 2021. Notably, net earnings jumped 82% year over year to \$29.99 million.

Carmele Peter, Exchange's president, said, "While we will continue to experience challenges from pandemic supply chain impacts, rising fuel costs, labour shortages, and inflationary cost increases, we have proven that we are able to manage through these issues."

## Useful against inflation

The TFSA is a useful tool that Canadians can use to combat or cope with inflation. Consider maximizing your annual limit or available contribution room to produce tax-free passive income.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:EIF (Exchange Income Corporation)
3. TSX:PPL (Pembina Pipeline Corporation)

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