TFSA Passive Income: 3 Incredible Stocks That Earn $365 Every Month

Description

The Tax-Free Savings Account (TFSA) is the perfect place to build a stream of passive income that grows and compounds. When you invest through your TFSA, the income you earn is completely protected from the Canada Revenue Agency (CRA).

There is no complicated income reporting, and as long as you follow the rules, the CRA stays away. In fact, even when you withdraw your capital from the TFSA, there is no tax liability.

Building compounding passive income in your TFSA

That is why it is ideal for building a long-term passive-income portfolio. *All* interest or dividends earned from a Canadian stock can be collected and then reinvested into more income-paying stocks. The more stocks you collect, the more income you collect over time. The longer you do this, the more it snowballs.

If you give your TFSA years or even decades to grow, you could have passive income that could sustain you long into retirement. Today, is a great time to start this process.

The stock market is depressed, stocks are cheap, and dividend yields are elevated. While I recommend a TFSA portfolio with at least eight to 10 stocks, here is a quick example how three blue-chip Canadian stocks could easily earn $365 every month.

A utility with growth ahead

Algonquin Power and Utilities (TSX:AQN)(NYSE:AQN) stock is down 13.5% this year. Right now, investors can earn a 5.44% dividend yield on their cost basis. That is significantly above its five-year average yield of 4.33%.

With its attractive mix of regulated utilities and renewable power assets, Algonquin has grown its net earnings per share by an 11% compounded annual growth rate.

You'll be hard pressed to find a utility growing faster. It has a $12.4 billion capital plan that should support high-single-digit annual earnings and dividend growth going forward.

If you put $25,000 of your TFSA portfolio in Algonquin stock, you would earn $337.5 quarterly, or $112.5 averaged monthly.

A defensive telecom stock for your TFSA

As Canada's largest telecommunications business, **BCE** (TSX:BCE)(NYSE:BCE) is very defensive. However, its stock has pulled back 6.6% in 2022. Right now, new shareholders can earn a 5.99% dividend yield tax free in their TFSA.

While BCE is not fast growing, it does produce very stable cash flows from its wireline and wireless businesses. This is a stable baseline supporting its dividend. The company has been investing heavily in its fibre optic and 5G networks, which should translate into outsized free cash flow returns in the coming years.

Put $25,000 of you TFSA cash into BCE stock, and you would earn $375 quarterly, or $125 monthly.

A top Canadian infrastructure play

Given geopolitical, supply chain, and economic challenges across the world, energy prices could remain elevated for several years to come. That should be favourable for an energy infrastructure stock like **Pembina Pipeline** (TSX:PPL)(NYSE:PBA).

Pembina stock is down 13% in the past month alone. Pembina operates well-located, well-managed pipeline, storage, midstream, and export assets across Canada and the U.S.

This year, it has been enjoying record earnings, as it markets energy products at very good prices. While this may fluctuate, most of its cash flows are contracted and that helps protect its nice 6.15% dividend.

If you invest $25,000 of your TFSA cash into Pembina stock, you would earn $128.13 of monthly tax-free passive income.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:BCE (BCE Inc.)

3. NYSE:PBA (Pembina Pipeline Corporation)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:BCE (BCE Inc.)
6. TSX:PPL (Pembina Pipeline Corporation)

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