



## TFSA Passive Income: How to Easily Earn \$425/Month TAX FREE!

### Description

The Tax-Free Savings Account ([TFSA](#)) can become a passive-income compounding machine for Canadian investors. When you don't have to pay any tax on investment income, you increase your returns by as much as 10-20% (depending on your tax bracket).

### Earn 10-20% more passive income by investing through your TFSA

Over years, that extra 10-20% can be worth significantly more if it is given time to compound. That is why the TFSA is ideal for building a passive-income stream for the long term. Buy [dividend stocks](#), earn income, buy more dividend stocks, and earn even more income. It's a great recipe for compounding wealth.

Fortunately, many high-quality dividend stocks have recently become cheap and dividend yields are elevated. It is a great time to start building a passive-income portfolio.

Here is one hypothetical portfolio that could generate as much as \$425 of tax-free monthly income. [Foolish investors](#) would be best served having a significantly more diversified portfolio (+10 stocks) than this. However, this is to demonstrate the attractive monthly income a TFSA can earn right now.

### Pembina Pipeline

**Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)) is a leading energy infrastructure company in Western Canada. While its stock is up 10% this year, it has fallen by 13% in the past month.

This is a solid stock for passive income, because over 85% of its revenues are contracted. When energy prices are high (like they are right now), it gets to earn a higher margin on the energy products it processes and re-sells. It just had a [record first half of 2022](#).

It just increased its dividend 3.5%. Its stock has a 6.15% dividend yield today. If you put one-third of your TFSA capacity (\$27,166) into Pembina shares at today's price of \$42.15, you could buy around 644 shares. That would earn you close to \$139 of tax-free monthly dividends.

## NorthWest Healthcare Properties REIT

**NorthWest Healthcare Properties REIT** ([TSX:NWH.UN](#)) is a Toronto-based real estate investment trust that operates hospital and medical properties around the globe. Its stock is down 24% this year.

Healthcare properties are incredibly consistent assets for passive income. NorthWest's portfolio has very long-term leases (+14 years) and high-grade tenants (many government or government-backed tenants).

NorthWest trades with a 7.2% distribution yield today. If you put \$27,166 of your TFSA into NorthWest stock, you could buy 2,650 units with a price of \$10.25. That would earn \$163 of tax-free monthly distributions.

## Algonquin Power

Another very attractive passive-income stock is **Algonquin Power and Utilities** ([TSX:AQN](#))([NYSE:AQN](#)). This Oakville-based company operates regulated utilities and renewable power assets across North America.

Its stock is down 16% this year. The company is looking to complete a large utility acquisition in Kentucky. However, the process is taking longer than expected and the stock has recently been marked down. For the long term, the company has a very large capital plan that should drive solid earnings and dividend growth ahead.

Algonquin trades with a 5.6% dividend yield today. If you put another third of your TFSA portfolio into Algonquin stock, you could acquire 1,777 shares with a price of \$15.28. That would make \$380 every quarter, or \$126 averaged monthly.

## The takeaway on TFSA passive income

The recent market dip is presenting great opportunities to buy high-yielding dividend stocks for passive income. Put a diversified mix of dividend stocks in your TFSA, earn income, and re-invest it. This tax-free passive-income stream could one day sustain your lifestyle long into retirement.

### CATEGORY

1. Energy Stocks
2. Investing

### TICKERS GLOBAL

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

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3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
5. TSX:PPL (Pembina Pipeline Corporation)

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