



Here's an Absolutely Brilliant Way to Earn Passive Income

Description

Investing in quality [Canadian dividend stocks](#) is a great way to earn long-term passive income for retirement. If you start investing early, you can build a *tax-free* stream of income that can supplement your lifestyle before and after retirement.

Use the TFSA to compound passive income

The [Tax-Free Savings Account](#) (TFSA) is one of the best registered accounts you can use to earn tax-free investment income. Any investment income earned from interest, dividends, or capital gains is protected from tax in the TFSA.

That means all income you earn can be held and then re-invested into more dividend-producing stocks. As you accumulate more stocks, you also accumulate more income. The cycle causes a snowball effect.

Earn \$448/month of tax-free passive income

Given years and decades to compound, your TFSA passive-income stream could provide life-changing income. Right now, Canadians that were 18 years or older in 2009, can contribute \$81,500 into the TFSA. That means you have a substantial platform to build a passive-income stock portfolio today.

At the [Motley Fool](#), we recommend investors have a diversified portfolio of at least eight to 10 stocks. However, here is a hypothetical three-stock portfolio that simply demonstrates how you can turn a \$81,5000 TFSA portfolio into a \$448 per month passive-income stream today.

Each of these are dividend-growth stocks, so investors can expect their passive-income stream to grow over time as well. Each would make for a solid anchor investment in any passive income-focused TFSA portfolio.

Enbridge

Right now, **Enbridge** ([TSX:ENB](#)) stock is yielding 6.76% on its current stock price of \$49.80. With a market cap of \$100 billion, Enbridge is a leading energy infrastructure provider in North America. Its portfolio of pipelines, processing facilities, utilities, export terminals, and [renewable power assets](#) are diversified and highly contracted.

That means that even despite the fluctuating price of oil, it earns a steady rate of return. It has a 27-year history of consecutively growing its dividend and has a solid backlog of projects that should push annual mid-single-digit earnings and dividend growth.

If you put one-third of your TFSA (\$27,166) into Enbridge stock, you would earn \$459 per quarter (or \$153 averaged monthly) of tax-free passive income.

Algonquin Power

Another quality passive-income stock trading with an elevated yield is **Algonquin Power and Utilities** ([TSX:AQN](#)). At \$14.60 per share, Algonquin stock earns a 6.7% dividend yield. With a market cap of \$9.9 billion, it has a diverse portfolio of regulated utilities and renewable power assets across North America.

Its regulated power, gas, and water assets help ensure a low-risk baseline return for Algonquin. Its quickly growing renewable power portfolio provides long-term growth, as the global green transition unfolds. This should support high-single-digit earnings and dividend growth in the coming years.

Put a third of your TFSA capacity in Algonquin stock, and you would earn \$455 tax-free passive income per quarter (or \$151 averaged monthly).

BCE

With a market cap of \$38 billion, **BCE** ([TSX:BCE](#)) is another blue-chip stalwart you can rely on for passive income. At \$42 per share, this stock earns a 6.4% dividend yield.

BCE is Canada's largest telecommunications provider. Nearly 50% of Canadian individuals and businesses utilize BCE's services in one way or another. Cellular coverage, data, and internet are essential services like utilities. Consequently, it earns a reliable baseline of revenues that help support its attractive dividend.

BCE has a great history of growing its dividend by a about 5% annual rate. Put one-third of your TFSA capacity into BCE stock and you would earn a passive-income stream of \$434.65 per quarter (or \$144.89 averaged monthly).

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:BCE (BCE Inc.)
3. NYSE:ENB (Enbridge Inc.)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:BCE (BCE Inc.)
6. TSX:ENB (Enbridge Inc.)

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