



TFSA: Invest \$25,000 and Get \$165,000 + \$90/Month in Passive Income

Description

The TFSA ([Tax-Free Savings Account](#)) is a great tool for Canadian investors looking to grow their savings over the long-term. Unfortunately, many Canadians simply use their TFSA as a high-interest savings account.

The problem is, even the highest saving interest rate (3%) is losing buying power to inflation. Over years, a TFSA savings account can actually lose value if it's not being invested in.

When you invest through your TFSA, you unlock the power of tax-free compounding. Dividend stocks are ideal for a TFSA because the passive income is not taxed, nor are any capital gains. That means any investment proceeds can then be re-invested and further compounded. It's a wonderful cycle for [building wealth](#) over years and decades.

Brookfield Infrastructure: A top TFSA stock to hold for decades

One Canadian [dividend stock](#) that would work perfectly for a multi-decade hold in your TFSA is **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)). With a market cap of \$28.5 billion, it's one of the largest pure-play infrastructure stocks in the world.

This TFSA stock fell 6% in the past month, and it pays an attractive 4.3% dividend yield today. It currently trades for around \$49 per share and looks attractively valued at only 12 times funds from operations (FFO) (a key profitability metric).

Why this Canadian dividend stock could have decades of upside

Brookfield operates a diverse portfolio of infrastructure assets around the world. This includes utilities in South America, railroads in the U.S. and Australia, cell towers in Europe, and pipelines and export terminals across North America (just to name a few). Over 90% of these assets are contracted or regulated, so it has a predictable baseline of revenues.

Likewise, 85% of its business is hedged to inflation through inflation indexed-contracts or fee-for-service contracts. That means this TFSA stock gets bonus earnings when inflation is high (like it is today). This has driven very strong results for the company in 2022.

[Last quarter](#), FFO grew 30% and it saw +10% organic growth. Over the past 10 years, it has grown FFO and its dividend by a compound annual growth rate (CAGR) of 10% and 9%, respectively.

As the global population expands, demand for infrastructure should only grow. This is especially true across Brookfield's core segments of transportation, energy, data, and utilities. Long-term trends such as manufacturing re-shoring, decarbonization, and digitization all play very well into its platforms.

This TFSA stock has \$3 billion of dry powder available to deploy. A possible recession could create opportunities to swipe up cheap assets. Acquisitions are a great lever to unlock long-term growth. Its organic and acquisition growth combined with low-teens FFO per unit growth mean that high single-digit dividend growth is quite possible for years, maybe even decades.

The takeaway on building TFSA wealth

Brookfield Infrastructure has compounded total returns by 14% annually for the past decade. Even if total returns slowed and only averaged 11% (say 4% from dividends and 7% from capital appreciation), a \$25,000 investment could potentially be worth \$165,950 (if you re-invest the dividends) in 20 years' time.

In addition, you would immediately earn \$268.75 per quarter (or \$89.58 averaged per month) in tax-free dividends. That dividend payment is likely to grow if Brookfield can keep up its target of 6-9% annual dividend growth. For a market beating return, at relatively low risk, Brookfield Infrastructure is the perfect TFSA stock.

CATEGORY

1. Dividend Stocks
2. Investing

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