



To Earn an Easy \$1,000 a Month, Buy 1,950 Shares of This TSX Stock

Description

Wouldn't it be nice if you could get \$1,000 per month for a lifetime without working and paying tax on it? And a cherry on top would be the amount growing with inflation, so it doesn't disturb your purchasing power. Such passive income is possible if you buy 1,950 shares of this TSX stock through your Tax-Free Savings Account ([TFSA](#)). Let's begin.

This TSX stock can earn you \$1,000 a month

The Toronto Stock Exchange has many Dividend Aristocrats that offer an average dividend yield of 6% or more. To earn \$1,000 per month with a 6% dividend yield, you need to own 3,500 shares of **Enbridge** ([TSX:ENB](#)). That would cost you a whopping \$185,000, as the stock trades at \$53 per share. Moreover, your lifetime TFSA limit, if you were born before 1991, ends at \$81,500. So, any investment above this limit will be subject to tax, removing the tax-free element.

But with disciplined investing, you can get the \$1,000 per month tax-free dividend without hampering your portfolio diversification.

Why invest in Enbridge stock for passive income

Enbridge is a Dividend Aristocrat that has been paying quarterly dividends for 67 years. This pipeline company has reached a scale where its infrastructure can generate cash flow to sustain its current dividend yield. Its new pipeline development has helped it grow its dividend consecutively for 27 years at a 10% compound annual growth rate (CAGR).

However, reduced investment in oil and gas development since 2015 slowed Enbridge's annual dividend growth rate. The pandemic saw the slowest Enbridge dividend growth of 3%. But this could change in the coming years, as the global energy crisis revives oil and gas investment. The United States has become the world's largest liquefied natural gas (LNG) exporter. It is supplying over 80% of its output to Europe since imposing sanctions on Russian gas.

The new developments in the global oil and gas supply chain have triggered investment in North America for LNG exports. Enbridge aims to tap about 30% share of the LNG export market, which it [expects](#) to grow 190% by 2040. Its upcoming projects, Texas LNG and the Rio Grande, could bring significant cash flows and boost its dividend growth.

Taking a conservative approach, I expect Enbridge's next 10-year dividend CAGR to accelerate to 6%.

How 1,950 shares of this TSX stock earn you \$1,000 in passive monthly income

Now, coming back to the question of how you can earn \$1,000 a month from Enbridge without exceeding your TFSA limit or putting all your funds in one stock.

Assuming Enbridge grows its dividend at a 6% CAGR, its dividend per share could grow to \$6.16 by 2032 (\$3.44 in 2022). If one share pays \$6.16 a year, you need 1,950 shares to reach a \$12,000 (1,950 x \$6.16) annual dividend.

To earn \$1,000 a month by 2032, you'd have to invest \$1,000 per month in Enbridge through your TFSA between 2022 and 2032. Assuming Enbridge's stock price grows at a CAGR of 8.7% in the next 10 years, its average price will increase to \$65 by 2032.

A \$1,000 monthly investment for 10 years can buy you 2,000 shares of Enbridge by 2032. As we calculated before, 1,950 Enbridge shares could earn you \$12,000 annually in tax-free passive income, increasing it in years ahead.

Investor takeaway

Lump-sum investing in a fundamentally strong stock can be a risk in a bull market (near a 52-week high) and a reward in a [bear market](#) (near a 52-week low). Currently, Enbridge is trading in the middle of its 52-week low and high.

No investor should invest \$50,000 or more in just one stock. Such lump-sum investments disturb your portfolio diversification and expose your portfolio to concentration risk. You can make the most of market bears and bulls by making disciplined small investments in stock for a longer duration. The Enbridge case was just one example of how disciplined investing can give you what you seek.

CATEGORY

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2. Investing

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