How to Make $356 Per Month in Passive Income Right Now

Description

Tax-Free Savings Account (TFSA) investors currently have $81,500 in contribution space that can generate tax-free interest, dividends, and capital gains. One popular use for the TFSA among retirees and other investors seeking passive income involves buying a diversified portfolio of top TSX dividend stocks.

The market correction in 2022 is providing income investors with a chance to get above-average dividend yields from some of Canada's best dividend-growth stocks.

Enbridge

Enbridge (TSX:ENB) has raised its dividend in each of the past 27 years. The energy infrastructure giant generates steady revenue from a number of segments including oil and gas pipelines, storage, natural gas distribution, oil exports, and renewable energy.

Enbridge is working on a $13 billion capital program and continues to make strategic acquisitions to drive revenue expansion and growth in distributable cash flow. The company bought an oil export terminal in the United States last year for US$3 billion. Enbridge is also taking a 30% stake in the $5.1 billion Woodfibre liquified natural gas (LNG) facility being built in British Columbia.

Enbridge stock trades near $53 per share at the time of writing compared to $59.50 in June. Investors who buy at the current level can get a 6.5% dividend yield.

TD Bank

TD (TSX:TD) trades for $87.50 at the time of writing compared to $109 at the peak earlier this year. The market is concerned that a severe economic downturn is on the way and will hammer bank revenue growth while driving up loan losses.

Some pain is certainly expected. The Bank of Canada and the U.S. Federal Reserve are raising interest rates in an effort to cool off the economy and bring inflation back down to 2%. Inflation, a measure of the year-over-year change in prices for a fixed basket of goods and services, came in at 6.9% in September in Canada.

The resulting surge in borrowing costs will drive up mortgage expenses and could trigger a wave of defaults on home loans. If house prices crash, TD and its peers could be in for some rough times.

At this point, the likely outcome is a mild and short recession with a controlled pullback in the housing market. Assuming that scenario materializes, TD stock currently looks oversold.

The bank has a strong capital position to ride out a recession and is on track to generate earnings growth in 2022 compared to last year. TD's board raised the dividend by 13% late in 2021. Another decent hike should be on the way for fiscal 2023. Investors have received an average compound annual dividend growth rate of better than 10% for more than two decades.

At the time of writing, investors can get a 4% dividend yield.

The bottom line on top stocks for passive income

Enbridge and TD are good examples of top dividend payers that look cheap today and deserve to be part of a diversified portfolio of stocks focused on generating income. Investors can quite easily build a balanced TFSA portfolio that would provide an average yield of 5.25% right now. This would generate $4,278.75 per year in tax free income on a TFSA valued at $81,500. That's more than $356 per month!

CATEGORY

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2. Investing

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:ENB (Enbridge Inc.)
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aswalker