



TFSA Passive Income: Invest \$75K in These 5 Stocks and Get \$1 Million + \$14,000 in Tax-Free Dividends

Description

Often called the eighth wonder of the world, the power of compounding is underestimated by most investors. The key to building long-term wealth is by identifying blue-chip stocks that pay investors a dividend to benefit from a passive-income stream as well as capital gains.

An investment of \$2,000 each month for 20 years would balloon to more than \$1 million, given an annual growth rate of 7%. But if you delay your investments by just five years, your portfolio will be worth \$6,37,000.

The key is to start your investment journey as soon as possible, allowing your savings to snowball over time and help you deliver exponential gains.

Use the TFSA to convert \$75,000 into \$1 million

The equity markets have been the preferred asset class for those with a moderate risk appetite. Most major indices in Canada and the United States have managed to outpace inflation over several decades, allowing investors to improve their purchasing power in the process.

So, if you have \$75,000 in savings, let's see how you can convert it into \$1 million within two decades while also creating a passive-income stream. Further, if these investments are held in a [Tax-Free Savings Account](#), any returns will be exempt from Canada Revenue Agency taxes.

The ongoing volatility in equity markets allows investors to purchase blue-chip stocks at a discount. As share prices and dividend yields are inversely related, you can benefit from tasty yields as well. Here are [five TSX stocks](#) that investors can buy today.

Equitable Bank

Shares of **Equitable Bank**, a mortgage lender, went public in March 2004. If you invested \$15,000 in

EQB stock 18 years back, you would have gotten returns of close to \$85,000 in dividend-adjusted gains. Back in 2004, you could have bought 1,305 EQB shares for \$15,000. Given its current dividend of \$1.24 per share, the annual dividend payout would be close to \$1,600 today.

Emera

A Canadian utility giant, **Emera** is a recession-resistant stock. In the last 20 years, Emera has turned a \$15,000 investment into \$109,000. Investors could purchase 855 shares for \$15,000 back in October 2002, which would currently generate \$2,359 in annual dividends in 2022, increasing the effective yield to 15.73%.

Algonquin Power & Utilities

A company that went public in 2009, **Algonquin Power & Utilities** has turned a \$15,000 investment into \$116,000 since its initial public offering. Investors could purchase 4,190 AQN shares with \$15,000, which would generate \$4,190 in annual dividends today.

Brookfield Renewable Partners

One of the top-performing TSX stocks, **Brookfield Renewable Partners** has returned a stellar 3,400% to investors since October 2002. Investors could purchase 1,875 shares of BEP for \$15,000 two decades back, which would be worth over \$500,000 today. These shares will allow investors to earn \$3,262 in annual dividends in the next year.

Royal Bank of Canada

The final blue-chip stock on my list is **Royal Bank of Canada**, which is also the largest company on the TSX. RY stock has turned 881% to investors in the last 20 years, turning a \$15,000 investment into \$147,000. Back in October 2002, investors could purchase 527 RY shares for \$15,000, which would now help them earn \$2,930 in annual dividends.

The Foolish takeaway

We can see that an investment of \$15,000 in each of these stocks would increase your portfolio value to more than \$1 million over time. Further, annual dividend payouts would also increase to \$14,340 if you remain invested over long periods.

CATEGORY

1. Dividend Stocks
2. Investing

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

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4. Msn
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