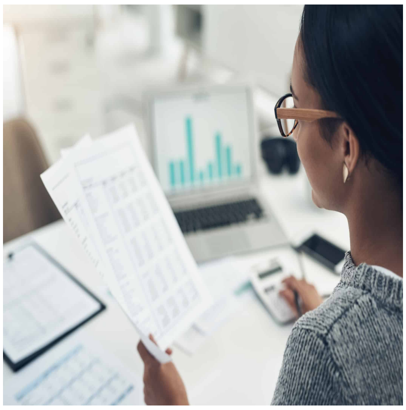

TFSA: Invest $29,000 in These 3 Stocks and Earn $515 Each Month in Passive Income in 2023

Description

The cumulative contribution limit for the TFSA (Tax-Free Savings Account) in 2023 will increase to $88,000 now that the yearly limit for the next year stands at $6,500. So, where can you invest $88,000 when the stock market is extremely volatile?

Despite the bloodbath surrounding equities in 2022, this asset class has enabled investors to generate inflation-beating returns over time. You can now consider investing in quality dividend stocks trading on the TSX that can help you create a passive-income stream.

Further, the returns on your TFSA are exempt from Canada Revenue Agency taxes. With these factors in mind, let's look at three stocks that can help you earn $450 in tax-free income each month.

Enbridge

One of the largest companies on the TSX, **Enbridge** (TSX:ENB) is a Dividend Aristocrat. The midstream dividend giant has increased dividend payouts each year for 27 consecutive years, as its cash flows are predictable across market cycles.

Around 98% of Enbridge's cash flows are regulated or backed by long-term contracts. Further, 80% of these contracts are indexed to inflation. Enbridge pays investors annual dividends of $3.44 per share, translating to a forward yield of 6.2%.

So, an investment of $29,000 in ENB stock will allow you to generate $1,798 in annual dividends.

Algonquin Power & Utilities

One of the top-performing TSX stocks in the last decade, **Algonquin Power & Utilities** (TSX:AQN) is currently trading 50% below all-time highs. In fact, AQN stock is down 30% in the last two trading sessions after the company reported third-quarter results.

In the September quarter, Algonquin Power increased revenue by 26% year over year, but its adjusted earnings per share fell by 27% to $0.11. Investors are worried about the high debt levels of the company amid an environment of rising interest rates, which is bound to impact profit margins in the future.

Utilities generally carry a huge amount of debt on their balance sheet to fund expansion projects and drive cash flows higher. But they also need to generate enough cash to ideally pay investors a dividend, invest in capital expenditures and strengthen their balance sheet over time.

Due to the massive pullback in share prices, AQN currently offers investors a tasty yield of 9.2%. So, an investment of $29,000 in AQN stock will help you generate $2,668 in annual dividends.

Bank of Nova Scotia

The final dividend stock on my list is **Bank of Nova Scotia** (TSX:BNS), one of the largest banks in Canada. BNS and its Canadian banking peers managed to sustain their dividend payouts during the financial crash of 2008, showcasing the resiliency of their balance sheets, unlike their counterparts south of the border.

Yes, the next year will be a difficult one for BNS due to the threat of an upcoming recession and an uptick in delinquency rates coupled with lower demand for loans across verticals. But higher interest rates will allow BNS to improve its profit margins and offset a portion of these headwinds.

BNS stock provides investors with a forward yield of 5.9%. So, an investment of $29,000 in BNS stock will result in annual dividends of $1,710.

The Foolish takeaway

We can see an investment of $87,000 distributed equally in the three TSX stocks will help shareholders generate $6,176 in annual dividends, indicating a monthly payout of $515. However, allocating vast sums of money to a single stock is a high-risk strategy, as dividend payments are not a guarantee.

You should instead identify similar companies with stable cash flows and strong fundamentals to create a diversified dividend portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AQN (Algonquin Power & Utilities Corp.)
2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:ENB (Enbridge Inc.)

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