TFSA: Invest $100,000 and Get $559/Month in Passive Income

Description

Wouldn't it be nice to sit back and earn passive income without you having to lift a finger? Oh, and you pay no tax on top of that! It's achievable through investing in solid dividend stocks in your Tax-Free Savings Account (TFSA). Here's an example. By investing $100,000 equally across the following three stocks in your TFSA, you can get income of just over $6,713 per year or just over $559 per month. Please note that we at the Fool prefer a more diversified portfolio and don't recommend putting such a large sum into only three stocks.

BNS stock

The big Canadian bank stocks are reliable passive-income investments. Currently, among its peers, **Bank of Nova Scotia** (TSX:BNS) stock is the most depressed and also provides the highest yield of approximately 6%

Its valuation is more depressed, because it's exposed to higher-risk (but potentially higher-growth) markets like Mexico, Peru, Chile, and Colombia. We're in a high inflation and higher interest rate environment. A recession is also just around the corner, including an expectation of one in Canada next year.

For a potential outcome of the looming recession, we can review the past. In the last two recessions, BNS stock saw its diluted earnings per share (EPS) fall 21% and 24%, respectively. If its EPS were to drop 20%, and the bank stock traded at recessionary levels near roughly nine times earnings, we're looking at downside of over 12% to $60 and change per share. But the payout ratio would still be sustainable at approximately 60%.

During highly uncertain economic times, the worst-case scenario for BNS investors is seeing their BNS shares maintain the dividend. In other years, one can expect a steady increase in the dividend.

Enbridge stock

Enbridge (TSX:ENB) stock is a Steady Eddie stock for passive income. It provides essential services in North America by delivering and distributing energy. It transmits roughly 20% of the natural gas consumed in the United States and moves approximately 30% of the crude oil transported and exported in North America. It generates cash flows from over 40 sources and 95% of its customers are investment grade.

Because of the quality of its cash flow, through economic cycles, ENB stock has reported highly resilient and stable adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization), a cash flow proxy. Additionally, it has increased its dividend for about a quarter of a century. Going forward, it has the capacity to continue raising its dividend.

At just under $54 per share, it offers a yield of close to 6.4% that's sustainable with a payout ratio of approximately 63% of its distributable cash flow.

NorthWest Healthcare Properties REIT

If you're really in need of income, you might consider Canadian real estate investment trusts (REITs) like **NorthWest Healthcare Properties REIT** (TSX:NWH.UN) for your TFSA portfolio. At $10.26 per unit at writing, the healthcare REIT offers a juicy cash distribution yield of 7.8%!

REITs have been bashed this year due to higher interest rates. The global healthcare properties REIT is no exception. Year to date, the monthly cash distribution stock has corrected about 26%. For the third quarter, it reported a lower interest coverage of 2.02 times versus 3.45 times a year ago. If you believe interest rates won't go sustainably higher, NWH.UN may be a good pick for passive income.

NorthWest's portfolio highlights include a globally diversified portfolio across over 2,100 tenants that has a high occupancy of about 97% and a weighted average lease expiry of 14 years.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BNS (Bank Of Nova Scotia)
2. TSX:ENB (Enbridge Inc.)
3. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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Date
2025/08/22
Date Created
2022/11/21
Author
kayng