



## 3 Smart Monthly Dividend Stocks to Buy for Tax-Free Passive Income in 2023

### Description

After a difficult period for equity investors in 2022, shareholders can derive stellar gains in the next year, especially if market sentiment improves. To do so, they should consider investing in monthly paying dividend stocks to create a predictable passive income stream.

Further, if these stocks are held in a TFSA (Tax-Free Savings Account), any returns in the form of dividends or capital gains are sheltered from Canada Revenue Agency taxes. Here, I have identified three smart monthly [dividend stocks](#) TSX investors can buy right now.

### Monthly dividend stock #1: Pembina Pipeline

An energy infrastructure company, **Pembina Pipeline** ([TSX:PPL](#)) offers investors a dividend yield of 5.5%. Its portfolio of cash-generating assets includes pipelines, export facilities, processing plants, and storage terminals.

Pembina makes money from its pipeline assets by leasing the capacity available to energy companies. These leases are long-term fixed-rate contracts generally indexed to inflation, protecting Pembina from fluctuations in commodity prices.

Since Pembina can generate steady cash flows across market cycles, dividend payouts have increased at an annual rate of 5.5% in the last 17 years. These payouts should increase in the future, too, as Pembina has secured a robust backlog of development projects. Cash flows from these new pipelines will fuel dividend growth.

Pembina has a payout ratio of just over 50%, providing the company with enough flexibility to lower debt, reinvest in growth, and sustain its monthly dividends.

### Monthly dividend stock #2: Exchange Income Corp.

**Exchange Income Corp.** ([TSX:EIF](#)) is engaged in the aerospace and aviation services and

manufacturing business globally. EIF is valued at [a market cap](#) of \$2.1 billion. An acquisition-based model helped the company to increase revenue by 47%, adjusted EBITDA by 58%, and adjusted net earnings by 97% year over year in Q3 2022.

After accounting for dividends, Exchange Income has returned 2,630% to investors since it went public in 2004. It has distributed dividends each year to shareholders as a public company, and these payouts have risen by 5.5% annually in this period.

Exchange Income offers investors a tasty yield of 5.1%, and the stock is priced at just 16.3 times forward earnings. Management expects to increase earnings per share at an annual rate of 11.4% in the next five years.

EIF stock is trading at a discount of more than 20% to the consensus price target. At this value, you should consider adding it to your monthly dividend portfolio in 2023.

## Monthly dividend stock #3: TransAlta Renewable

The final monthly dividend stock on my list is **TransAlta Renewable** ([TSX:RNW](#)), which yields a tasty 6.6% right now. Operating in the [clean energy](#) space, TransAlta Renewable aims to provide stable returns to shareholders by investing in highly contracted renewable and natural gas power generation facilities. The investments are secured via long-term contracts that provide stable cash flows.

Among the largest generators of wind power in Canada, TransAlta Renewable's asset platform is diversified in terms of geography and counterparties. It has operations in North America and Australia, with an aggregate gross installed capacity of 2,996 megawatts.

## The Foolish takeaway

If you were to invest \$25,000 in each of these TSX stocks, you would earn close to \$360 in monthly dividends. This translates into annual payouts of more than \$4,300. In the case dividends increase by 7% annually, your payout will more than double in the next 10 years.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:EIF (Exchange Income Corporation)
2. TSX:PPL (Pembina Pipeline Corporation)
3. TSX:RNW (TransAlta Renewables)

### PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin

4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

#### **PP NOTIFY USER**

1. araghunath
2. cleona

#### **Category**

1. Dividend Stocks
2. Investing

#### **Date**

2025/07/21

#### **Date Created**

2022/11/28

#### **Author**

araghunath

default watermark

default watermark