TFSA: Invest $88,000 and Get $456/Month in Passive Income

Description

Generating $470 a month in passive income could easily cover a major expense for any family. Fortunately, the recent expansion to the Tax-Free Savings Account (TFSA) allows most Canadian investors to meet this target.

The government has added $6,500 to the TFSA contribution room for 2023. That means any Canadian saver who qualified for the program when it was first introduced now has a total of $88,000 in TFSA contribution room.

Here's how a maxed-out TFSA can help you generate enough passive income to cover the cost of groceries or utilities every month.

Grocery stocks

The rising cost of food is a key driver of inflation. However, much of this surge in food prices has been passed on to consumers. Grocery store operators and commercial landlords have preserved their profit margins throughout this crisis.

If you can't beat 'em, join 'em. Invest in grocery store landlord **Slate Retail REIT** (TSX:SGR.U). The company operates an extensive network of grocery stores across the United States. 63% of its tenants are "essential businesses" such as pharmacies and food retailers. Meanwhile, occupancy was as high as 93% in recent quarters.

The company's portfolio is worth US$2.4 billion (CA$.3.2 billion). It generates enough cash flow to offer an attractive 7.5% dividend yield. Deploying a maxed-out TFSA in this stock could deliver about $4,785 annually, or $398 monthly, in passive income.

Investors can also expect some dividend growth. Rents are surging and Slate Grocery has a track record of regular dividend boosts.

Energy stocks

Another way to join the inflation surge is to bet on energy stocks. Specifically, energy infrastructure operators like **Enbridge** (TSX:ENB).

Canada's largest oil and gas transportation company has more visibility and stability in annual revenue. The company's sales depend on the volume of energy transported across North America. Volume has surged higher this year and I expect it to stay elevated, as North America exports more oil and gas to Europe.

Enbridge stock is up 12% year to date, lagging behind the rest of the energy sector. That's probably why the dividend yield is so high. Enbridge stock offers a 6.4% yield at the moment. Deploying a maxed-out TFSA in Enbridge stock could generate $5,473 in annual passive income. That's roughly $456 a month — enough to cover the grocery bill for a typical couple.

Enbridge could also be an ideal target for dividend-growth investors. The volume of oil and gas transported across North America and to Europe is expected to rise substantially for the next few years. Enbridge is investing in expanding its network. Management believes dividends could grow 5-6% annually for the next few years.

COMPANY	RECENT PRICE	NUMBER OF SHARES	DIVIDEND	TOTAL PAYOUT	FREQUENCY
Slate Retail REIT	$15.89	5,538	$0.864	$4,784.8	Monthly
Enbridge	$55.3	1,591	$3.44	$5,473	Quarterly

Bottom line

The expanded TFSA program should allow most Canadians to secure substantial passive income. High-yield, dividend-growth stocks like Slate Retail REIT and Enbridge should be on your watch list for 2023 and beyond.

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