



TFSA Passive Income: Earn \$340-\$380 Tax Free Each Month Into the Future

Description

The annual [Tax-Free Savings Account, or TFSA](#) contribution limit just got a boost for 2023 to \$6,500. An investor who has never contributed to one will have cumulative contribution room of \$88,000. Maxing this out every year is a great way of setting yourself up for success.

With \$88,000 in a TFSA, investors could earn significant tax-free passive income if they wish. By using an [exchange-traded fund \(ETF\)](#) that holds dividend stocks, investors can increase their payout frequency to a monthly basis versus the usual quarterly one.

Both of my picks today provide exposure to a portfolio of high-quality, blue-chip Canadian stocks at a low cost. Let's take a look at them and break down how much an investor could earn monthly assuming a maxed-out TFSA.

Vanguard FTSE Canadian High Dividend Yield Index ETF

Vanguard FTSE Canadian High Dividend Yield Index ETF (VDY) holds a portfolio of 47 Canadian dividend stocks selected for high yields. Most of its holdings come from the financial and energy sectors, with smaller amounts in telecommunications and utilities.

Currently, VDY pays a 12-month yield of 4.17%. This is the percentage an investor would have received if they'd held the ETF over the last year. Keep in mind that VDY also grows outside of its dividend, so investors can participate in share price appreciation as well.

In terms of fees, VDY charges a management expense ratio of 0.22%. This is the annual percentage fee deducted from your overall investment. If you invested the full TFSA amount of \$88,000 in VDY, you can expect to pay around \$193.60 annually in fees. Please note that we at the Fool prefer a more diversified portfolio and don't recommend putting such a large sum into only one stock. Instead, we suggest you mix and match a diverse group of dividend-paying stocks to achieve your target yield.

Assuming VDY's most recent distribution of \$0.188490 and share price of \$43.20 remained consistent moving forward, an investor who buys \$88,000 worth of VDY could expect the following monthly payout:

COMPANY	RECENT PRICE	NUMBER OF SHARES	DIVIDEND	TOTAL PAYOUT	FREQUENCY
VDY	\$43.20	2,037	\$0.18849	\$383.95	Monthly

iShares S&P/TSX Composite High Dividend Index ETF

A good alternative to VDY is **iShares S&P/TSX Composite High Dividend Index ETF** ([TSX:XEI](#)) with a total of 75 holdings. Compared to VDY, XEI has a more balanced allocation between the financial and energy sectors, and higher weightings to telecoms and utilities.

Currently, XEI pays a trailing 12-month yield of 4.34%. The ETF charges the same management expense ratio of 0.22%. If XEI's most recent distribution of \$0.10 and share price of \$25.53 remained consistent moving forward, an investor who buys \$88,000 worth of XEI could expect the following monthly payout:

COMPANY	RECENT PRICE	NUMBER OF SHARES	DIVIDEND	TOTAL PAYOUT	FREQUENCY
XEI	\$25.53	3,447	\$0.10	\$344.70	Monthly

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:VDY (Vanguard FTSE Canadian High Dividend Yield Index ETF)
2. TSX:XEI (iShares S&P/TSX Composite High Dividend Index ETF)

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. kduncombe
2. tdong

Category

1. Investing

Date

2025/08/12

Date Created

2022/12/10

Author

tdong

default watermark

default watermark