

## TFSA – Invest \$5,000 in These 3 Stocks and Get \$547 in Passive Income Every Year

### Description

You can earn 10.9% in passive income in five years through compounding in the stock market. In dollar terms, a \$5,000 investment in the current [bear market](#) can earn you \$547 in passive income every year and even grow your \$5,000 principal amount. How?

The Bank of Canada's 4.25% interest rate has pulled down the TSX Composite Index by more than 8.5% this year. Many dividend stocks have plunged to their 52-week low as expensive debt reduced their profits. With inflation at 6.9%, hoarding cash only reduces the purchasing power of your dollar.

Stock	Stock price	Investment	Number of Shares	Dividend per share	Annual Dividend
RNW	\$10.87	\$1500	136	\$0.94	\$128.18
ENB	\$52.1	\$2000	38	\$3.55	\$136.28
SOT.UN	\$4.37	\$1500	341	\$0.40	\$136.36
Total		\$5000	515	\$4.89	\$400.82

### Three TSX stocks to buy with \$5,000

Now is the time when [value investors](#) put their money to work to earn more money. I have identified three beaten-down TSX stocks whose dividend yields have inflated above 6%.

- **Slate Office REIT** (TSX:SOT.UN) – 9.1%
- **TransAlta Renewables** ([TSX:RNW](#)) – 8.6%
- **Enbridge** ([TSX:ENB](#)) – 6.8%

### Slate Office REIT

As a small-cap stock, Slate Office REIT is the riskiest among the three stocks as it has a lower trading volume. However, the REIT has stronger [fundamentals](#) than other commercial REITs. At the end of [the third quarter](#), it had a dividend payout ratio of 75.9% as funds from operations were relatively stable due to portfolio repositioning. The REIT sold a low-yielding property at a 12% premium and purchased another property with an 8.4% capitalization rate. Despite strong cash flows, the REIT's stock price fell 4.6% this month, inflating its distribution yield to 9.1%.

If you invest \$1,500 in the REIT at its current stock price of \$4.37, you can buy 341 shares. Each share pays an annual distribution of \$0.4, which can earn you \$136 in passive income. Invest in this stock through your Tax-Free Savings Account (TFSA) to allow your investment income to grow tax-free.

## TransAlta Renewables stock

The rising interest rates and commodity prices have negatively affected TransAlta Renewables. Its stock price fell 24% this month after the company released lower-than-expected earnings guidance for 2023. Unlike Slate Office REIT, TransAlta Renewables has a dividend payout ratio of 100%, which is unsustainable in the long term. While management aims to sustain its current dividend per share of \$0.94/year, it might have to make dividend cuts if its free cash flow falls below its guided range of \$340 million to \$380 million.

The market priced this risk and pulled down TransAlta Renewables' stock, inflating the dividend yield to 8.6%. Consider it like a premium for risk. If you invest \$1,500 at RNW's current price of \$10.87, you can buy 136 shares and earn \$128 in passive income (if there are no dividend cuts).

## Enbridge stock

Do not skew your portfolio too much towards risky small- and mid-cap stocks. You can balance the risk by investing the remaining \$2,000 in a dividend aristocrat like Enbridge (growing dividends for 28 years). Its cash flows are secure as oil and gas demand remains high amidst a global energy crisis. Enbridge has slowed its dividend growth rate to 3% (from 9% earlier) as it expects a global recession to pull down oil demand. However, its long-term growth prospects are strong as it focuses on growing its market share in North American liquefied natural gas (LNG) exports.

Enbridge has proved its dividend resilience in some of the worst economic recessions. It is a lower-risk stock that can keep paying you dividends even if the economy is in a recession. A \$2,000 investment at the current price of \$52.10 can buy you 38 shares of Enbridge, which pays a \$3.55 dividend per share. You can earn an annual passive income of \$136.

## How to earn \$547 in passive income every year

A \$5,000 investment in the above three stocks can earn you an annual passive income of \$400 if there are no dividend cuts. If you invest \$400 in **BCE** ([TSX:BCE](#)), you can buy 6.5 shares in a year at an average price of \$61. The stock pays a \$3.68 dividend per share and grows at an average annual rate of 5%. Assuming BCE sustains this growth rate, a \$400 annual investment for five years can buy you 32 shares, which can pay you a \$146 dividend after five years.

By 2028, you will have shareholdings in four stocks, and your total passive income will be \$547 per year.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:BCE (BCE Inc.)

2. NYSE:BCE (BCE Inc.)
3. NYSE:ENB (Enbridge Inc.)
4. TSX:ENB (Enbridge Inc.)
5. TSX:RNW (TransAlta Renewables)
6. TSX:RPR.UN (Ravelin Properties REIT)

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