



TFSA Passive Income: How I'm Making \$104.50/Month Tax Free Without Lifting a Finger

Description

Passive income is all over the internet these days. With inflation running rampant and stocks going down, it only seems logical to invest in assets that produce income. With a high enough dividend yield, it doesn't matter whether your shares go up or down — you can earn a satisfactory return with yield alone.

Certainly, such yields are very tempting. However, many articles that promise passive income over-promise. It's not that you can't get passive income — it's actually very easy to get a small amount of it — it's that it's hard to get much with small amounts invested up front. If you invest \$1,000 at an average yield of 2.5%, you'd get \$25 in dividends per year. So, you need a decent chunk of change to get a substantial amount of passive income going.

In this article, I will show how I'm getting \$104.50 in monthly passive income from a \$82,000 Tax-Free Savings Account (TFSA) portfolio. With this article, I aim to show that, yes, passive income is possible, and I'll dispel the myth that you can get a lot of it with only \$5,000 or \$10,000 invested. So, without further ado, here's how I'm getting \$104.50 in monthly passive income in my TFSA and Registered Retirement Savings Plan (RRSP).

What I mean by \$104.50 per month

Before I go any further, I should state that my monthly tax-free passive income *averages out to* \$104.50 per month. I'm not actually invested in monthly pay dividend stocks: I get my dividends each quarter. Not all my stocks pay on the same schedule, so I get some dividend income almost every month. However, what I mean to say is that I earn \$1,255 in passive dividend income per year, which is an average of \$104.50 per month. With that out of the way, here's how I'm getting it.

Dividend stocks

The biggest source of passive income in my portfolio is dividend stocks. Of the \$1,255 I get in tax-free

passive income each year, about \$1,188 of is from dividends.

What stocks do I hold that produce these dividends?

The biggest one is **Toronto-Dominion Bank (TSX:TD)**. It's a [Canadian bank stock](#) that has a 4.35% [dividend yield](#). I started back in 2018 when I noticed it was going down, despite the underlying business performing well. I bought some more during the March 2020 COVID crash. Both buys worked out well. I bought another lot of TD at the start of this year that didn't work out so well, but my position as a whole is well above water. TD has been paying me consistent dividend income for years. If the bank's \$13.4 billion **First Horizon** deal works out well, then it will earn more and possibly pay higher dividends in the future.

Interest

The second source of passive income in my portfolio is interest. I get this mainly from Guaranteed Investment Certificates (GICs). GICs are bond-like instruments that are sold by banks. Historically, their returns have been near zero, but this year is an exception. The Bank of Canada is raising interest rates this year, and that's causing GIC yields to go up. I recently bought a one-year GIC that had a 5% yield!

Foolish takeaway

As you can see, it takes some savings to get a substantial passive income going. With \$82,000 invested, I get about \$1,255 per year, or \$104.50 per month, in tax-free dividend income. It's not a whole lot just yet, but I expect it to grow over time.

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