



TFSA: Invest \$1,000 in 2 Stocks and Get \$460 in Passive Income

Description

Your Tax-Free Savings Account (TFSA) contribution limit has increased by \$6,500 this year. The extra \$500 is an indication by the Canada Revenue Agency (CRA) that it wants you to save more and spend less. When that happens, inflation will reduce, and interest rate hikes will ease. It is time to contribute toward economic recovery. The bear market has sweetened the deal by inflating the dividend yield of [fundamentally](#) strong stocks. Here is an investing strategy to earn \$460 in passive income per month.

Invest \$1,000 in two stocks and get \$460 passive income

A \$1,000 investment per month in the below two uncorrelated stocks for six years can help you earn \$460/month for the long term. Here's how.

True North Commercial REIT

True North Commercial REIT ([TSX:TNT.UN](#)) is an office real estate investment trust (REIT) that enjoys a higher rental yield than apartments. The interest rate hike made mortgages expensive, negatively impacting property prices. Almost all [REITs](#) revalued their property portfolios, as they take loans from the banks by keeping the property as securities. A decline in the value of real estate property increases their security requirements with the bank and hampers their growth plans. Moreover, a higher interest rate increases the cost of acquiring and developing a property.

True North Commercial REIT has a strong occupancy rate of 95%, with 80% of rental income from government offices and high-credit-ranking companies. While the cash flow remains stable, the higher cost of financing has put its distribution-payout ratio at an alarming level of 95%. When interest rates ease and economic recovery begins, the fear of a distribution cut will reduce.

True North Commercial REIT's stock price fell 22%, which inflated its distribution yield to 10.26%. It means a \$100 investment will give you \$10.26 in dividend income in 2023, provided there are no distribution cuts.

I suggest investing a lower portion of your portfolio (40% or \$400/month) in high-risk stocks. In six years, you would have invested \$28,800 and owned 4,114 shares of True North Commercial REIT. If the REIT sustains its annual \$0.59 dividend per share, you could earn a dividend income of \$2,427/year by 2029.

BCE stock

Balancing the high risk of True North Commercial REIT is **BCE** ([TSX:BCE](#)), which has been [paying dividends](#) for decades. The telecom giant is unaffected by interest rate hikes as 85% of its debt has a fixed interest rate. The company completed its accelerated capital spending in the last three years when the interest rate was low. Hence, its weighted average annual after-tax cost of debt is at a historical low of about 2.8%.

Moreover, BCE is not affected by inflation, as its efficiency improves as more subscribers get added. While energy stocks and REITs slowed dividend growth and cut distributions, BCE maintained its 5% dividend growth rate. It also maintained its dividend-reinvestment plan (DRIP). If True North Commercial REIT slashes distributions, it will be offset by BCE's 5% dividend growth.

The math

	TNT.UN	BCE	Total Amount
Current stock price	\$5.79	\$59.5	
Total invested amount in six years	\$28,800	\$43,200	\$72,000
Number of shares in 2029	4,114	626	
Dividend per share in 2029	\$0.59	\$4.93	\$5.52
Estimated dividend income in 2029	\$2,427	\$3,086	\$5,513
Estimated dividend income in six years			

If you invest \$600 per month in BCE's DRIP for the next six years, you can accumulate 626 shares of BCE, assuming the stock grows 2% every year. 5% dividend growth would increase its annual dividend per share from \$3.68 in 2022 to \$4.93 in 2028. After six years, if you stop the DRIP and start collecting dividends, your 626 shares could pay you \$3,068 annually.

If we add BCE's (\$3,068) and True North Commercial REIT's (\$2,427) payouts together, you can earn passive income of \$5,513, or \$460 a month.

These are just two stocks. You can create a passive-income portfolio with several other uncorrelated income stocks in the energy, banking, and healthcare sectors.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BCE (BCE Inc.)
2. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)

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1. Business Insider
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