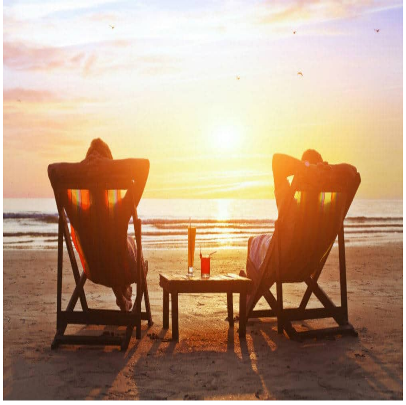

TFSA – Invest $50,000 and Get $100,000 + $500/Month in Passive Income

Description

It is the first working day of the year, and the $6,500 limit is added to your Tax-Free Savings Account (TFSA). Many Canadians lost a significant amount of portfolio value in 2022. Those who planned to convert their $50,000 invested to $60,000 in three years are instead looking at a portfolio that is flat or down. It is normal for your portfolio to be in the red at times.

But the important thing is never to miss a market downturn, as this is where future growth resides.

How to convert your TFSA's $50,000 into $100,000?

If a $50,000 TFSA investment were to increase at a compounded annual growth rate (CAGR) of 7.2%, the principal amount would double in 10 years. And if your $100,000 portfolio gives you an additional average annual dividend yield of 6%, you can earn $500 in passive income. The market dip has created an opportunity to ride the recovery rally and enjoy a 7.2% CAGR and lock in a higher dividend yield. Let's see how.

goeasy stock

Why the dip? **goeasy** (TSX:GSY) stock fell 40% last year, inflating its dividend yield to 3.42%. The previous quarterly earnings of the sub-prime lender showed strong growth (47%) in loan originations and the highest percentage of low-risk loan originations. That's because goeasy gave the maximum amount of new loans to people most likely to repay. So A recessionary environment increases credit risk, and investors are pricing in expectations of a slowdown or decline in net income in 2023. The market always reacts to the future and not the past, and that's why goeasy stock is in the red.

Why invest in GSY? Even if credit risk increases, goeasy will increase the amount set aside for possible bad debt. The next two years might see tepid growth and even a 10–20% dip as a recession makes investors wary. But it could jump significantly in the recovery rally.

Magna stock

Why the dip? **Magna International** (TSX:MG) stock fell 30%, inflating its dividend yield to 3.15%. The stock of the automotive component supplier fell as several short-term headwinds delayed the electric vehicle (EV) boom. A chip supply shortage, rising commodity prices, and COVID lockdowns in China affected automotive supply in 2022. In 2023, rising interest rates and an economic slowdown could affect automotive demand.

Why invest in MG? EV growth is delayed, but it is coming. Magna is set to ride this wave thanks to its design wins. The company has enough financial flexibility to sustain a recession.

How to invest: You can invest $1,000/month in each of the two stocks throughout the 2023 dip. This way, you can reduce your average cost and enhance the upside potential when the economy recovers. After the 2008–2012 Global Financial Crisis, goeasy stock jumped 950% in the next 10 years. It could surge at least 500–550% in the coming 10 years. Magna's stock tripled in the last 10 years and could at least double in the coming 10 years as it rides the EV rally. These two growth stocks could drive your portfolio CAGR to 7–10% in the coming decade.

How to earn $500/month in TFSA passive income

The current market has also created an opportunity to lock in a higher dividend yield and grow your passive income.

TransAlta Renewables stock

Why the dip? **TransAlta Renewables** (TSX:RNW) stock fell 40% last year, inflating its dividend yield to 8.36%. It fell after the company released weak guidance for 2023. Expensive financing from high-interest rates will make it difficult for the company to acquire profitable projects. Rising inflation will increase operation and maintenance costs. The management will channel all cash flow on dividend payments. Such usage of cash is not sustainable as it hampers growth.

Why invest in RNW? High-interest rates and inflation are not sustainable. TransAlta Renewable would return to acquiring new projects as the economy revives and the interest rate eases. Moreover, governments worldwide will likely accelerate the transition to renewable energy, given the alarming rate of climate change. Such action by the government could push the stock up further. In the meantime, the stock will sustain its $0.94 dividend per share.

How to invest: You can invest $1,000/month in TransAlta Renewable and another $1,000/month in a dividend aristocrat like **BCE** and lock in more than a 6% dividend yield. If TransAlta Renewable cuts its dividend, it will be offset by BCE's 5% dividend growth.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:MGA (Magna International Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:GSY (goeasy Ltd.)
5. TSX:MG (Magna International Inc.)
6. TSX:RNW (TransAlta Renewables)

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1. Dividend Stocks
2. Investing

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