



TFSA Passive Income: How to Make \$200/Month Tax Free the Easy Way

Description

A new year brings with it a new contribution amount for your Tax-Free Savings Account (TFSA). But before blowing it all on some growth stock, as you potentially did in the past, it might be time to re-evaluate. Inflation continues to be quite high, even after coming down the last few months. And interest rates are likely to continue rising at least in the short term. Therefore, now is a great time to seek out passive income.

What's great about passive-income stocks is that if you find the right yield, it doesn't really matter if your shares drop a bit. You still have income coming in from your dividends. However, you're not going to make anything massive, unless you make a reasonably large investment.

That's why today, I'm going to show how you can use your TFSA and a large part of your contribution room to create a stable influx of high passive income.

Find the right stock

If you're looking for monthly passive income, there are two ways to come at this. Dividend stocks usually pay out passive income through dividends every year, quarter or month. So, if you actually want income coming in each month, you'll need to find a solid, [monthly passive-income](#) stock. And those are in shorter supply.

What's in larger supply are quarterly producing stocks. However, in this case, you have to consider that your monthly passive income is actually the *average* amount each month. Really, you won't see any passive income until the next quarter. So, take that into consideration when choosing your passive-income stocks.

Dividend stocks to consider

Right now, there are two dividend stocks I would consider if you're looking for high passive income. Each of these dividend stocks are strong choices based on historical results and strong growth that's

predicted for the future.

Fiera Capital ([TSX:FSZ](#)) has long been a high-dividend producer. It currently has a yield at 9.91% as of writing! Shares dropped off thanks to the fall in the financial sector and high interest rates. However, Fiera stock has proven time and again that it makes smart investments in value and growth companies — companies that allow it to continue to raise its dividend.

Then there's **Slate Grocery REIT** ([TSX:SGR.UN](#)). This company remains a solid choice, as it's in the essential services sector. During the pandemic, it continued to climb in revenue thanks to being an essential service grocery chain. It's continued to expand its operations, providing steady streams of income that support its 7.78% yield.

Value for high passive income

Right now, both Fiera stock and Slate stock trade in [value territory](#), with Fiera trading at 15.73 times earnings and Slate at 5.61 times earnings. You can therefore get a deal on these stocks to create a solid amount of income each year, and with both of these stocks, it gets paid out on a monthly basis!

Let's say your goal is to create \$100 in passive income from each stock on a monthly basis. Here's how that would work out:

COMPANY	RECENT PRICE	NUMBER OF SHARES	TOTAL DIVIDEND	TOTAL PAYOUT	FREQUENCY
FSZ	\$8.65	1,395	\$0.07167	\$100	Monthly
SGR.UN	\$15.11	1,017	0.09833	\$100	Monthly

Foolish takeaway

As you can see, it would take a pretty substantial investment to create this much passive income each month. At these rates, it would be an investment of \$12,066.75 in Fiera stock and \$15,366.87 for a total of \$27,433.62. But you'll notice that can all fit in your TFSA for tax-free income! And this is just a starting point. You can always adjust these numbers to fit your investment style. As shares rise higher, you'll then see these value stocks take off in the short years to come.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FSZ (Fiera Capital Corporation)
2. TSX:SGR.UN (Slate Retail REIT)

PARTNER-FEEDS

1. Business Insider

2. Flipboard
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4. Msn
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