



How to Earn \$5,350/Year in Passive Income — TAX FREE!

Description

Canadian investors of all stripes, whether you are growth oriented or much more conservative, should look to establish a consistent stream of passive income. This is one of the best ways to give yourself peace of mind going forward. Today, I want to discuss how you could earn \$5,350 in annual passive income. Better yet, you could gobble up that income completely tax free.

How can you achieve this? Let's jump in!

To start, we are going to be utilizing our hypothetical [Tax-Free Savings Account \(TFSA\)](#). We have been eligible for contributions since the inception of the account. However, we have not opened a TFSA until today. Regardless, we are going to be using \$75,000 in free room rather than the \$88,000 in cumulative contribution room that is available as of January 1, 2023. Please note that we at the Fool prefer a more diversified portfolio and don't recommend putting such a large sum into only a few stocks. Instead, we suggest you mix and match a diverse group of dividend-paying stocks to achieve your target yield.

This undervalued financial stock offers big passive income right now

First National Financial ([TSX:FN](#)) is the first [dividend stock](#) I would look to target in a TFSA today. This Toronto-based company originates, underwrites, and services commercial and residential mortgages in Canada. Shares of First National have climbed 3.8% so far in 2023.

Investors can expect to see its fourth-quarter (Q4) and full-year fiscal 2022 earnings on March 1. In Q3 2022, First National posted revenue of \$392 million — up from \$353 million in the previous year. Meanwhile, mortgages under administration (MUA) were reported at a record \$129 billion.

This dividend stock closed at \$38.94 on January 30. In our hypothetical, we can snatch up 640 shares of First National for a purchase price of \$24,921.50. The stock offers a monthly distribution of \$0.20 per share. That represents a tasty 6.1% yield. This investment allows us to generate tax-free passive

income of \$128 per month. This works out to \$1,536 in annual passive income.

Here's a well-positioned REIT that boasts a big dividend yield

Automotive Properties REIT ([TSX:APR.UN](#)) is a Toronto-based, open-ended [real estate investment trust \(REIT\)](#) that is focused on owning and acquiring primarily income-producing automotive dealership properties across Canada. Its shares have dropped 1.2% in the new year.

This REIT closed at \$12.45 on January 30. We can look to purchase 2,000 shares of this REIT, which works out to a total of \$24,900. The stock offers up a monthly dividend of \$0.067 per share, which represents a very strong 6.4% yield. We can now make monthly passive income of \$134. That works out to annual passive income of \$1,608.

One more passive-income beast I'd snatch up in a TFSA today

Timbercreek Financial ([TSX:TF](#)) is the third and final dividend stock I'd look to snatch up to round out our passive income portfolio. This Toronto-based mortgage investment company provides shorter-duration structured financing solutions to commercial real estate investors in Canada. The stock has jumped 8.9% in 2023.

This dividend stock closed at \$7.94 on January 30. We can purchase 3,170 shares of Timbercreek for a total price of \$25,169. The stock currently offers a monthly distribution of \$0.058 per share, representing a monster 8.6% yield. This investment will let us generate \$183.86/month in passive income. That works out to \$2,206.32 as an annual payout.

Conclusion

COMPANY	RECENT PRICE	NUMBER OF SHARES	DIVIDEND	TOTAL PAYOUT	FREQUENCY
FN	\$38.94	640	\$0.20	\$128	Monthly
APR.UN	\$12.45	2,000	\$0.067	\$134	Monthly
TF	\$7.94	3,170	\$0.058	\$183.86	Monthly

These investments in our hypothetical TFSA will allow us to generate \$5,350 in annual passive income. Even better, that passive income will be entirely tax free!

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:APR.UN (Automotive Properties Real Estate Investment Trust)
2. TSX:FN (First National Financial Corporation)
3. TSX:TF (Timbercreek Financial Corporation)

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