



## TFSA: Invest \$40,000 and Earn \$2,000/Year in Effortless Passive Income

### Description

If you are looking to maximize long-term streams of passive income, the TFSA ([Tax-Free Savings Account](#)) needs to be a part of your wealth creation formula. Any income earned from a Canadian investment made inside a TFSA is safe from tax. You don't need to report tax and you don't need to pay it.

### No sweat passive income in your TFSA

You can't put a property or a small business into a TFSA, but you can buy stocks, bonds, GICs (guaranteed investment certificates), indexes, and ETFs (exchange traded funds). This is perfect if you don't like the hassle of managing/running an income property or a small business. If you take a long-term investing approach and avoid tinkering with your investment portfolio, it can really be effortless.

Here at the Fool, we suggest investors own a portfolio of at least 8–10 stocks to properly [diversify](#) and balance out market risk. However, here is just a quick and easy example of how an investor could invest \$40,000 into some easy-to-understand blue chip stocks and earn nearly \$2,000 a year (or more) of tax-free passive income. Here's how it could work.

### A large-cap telecom stock for TFSA passive income

You don't need to look far to find a blue chip Canadian stock like **TELUS Corp.** ([TSX:T](#)) that pays attractive passive income. With a market cap of \$38 billion, TELUS is one of Canada's largest telecommunications stocks. This stock earns a 5% yield today.

Telecommunication stocks are considered relatively low risk because demand for cellular and internet services is essential. Customers tend to pay a contracted fee for the services, so companies like TELUS deliver relatively predictable earnings.

Now, it is a competitive space, but smart investments in infrastructure and service plans have helped give TELUS a lead over other competitors. Likewise, it has invested in several digital growth verticals

(healthcare, customer experience, and agriculture) that are showing promising signs of value creation.

TELUS has grown its annual dividend by a 6.6% compounded annual rate in the past five years. After coming off a large capital spending cycle, [it expects to earn a lot of excess cash](#) over the coming few years.

With that should come further high-single digit dividend increases. A \$20,000 investment in TELUS stock would earn \$258 per quarter or \$1,032 annually. However, it is foreseeable that its passive income stream could be much larger in the years ahead.

## A leader in renewable power

With a market cap of close to \$31 billion, **Brookfield Renewable Partners** ([TSX:BEP.UN](#)) is one of the largest pure-play renewable power stocks in the world. It makes for an attractive passive income stock for any TFSA. Today, this stock's dividend yields 4.89%, which is significantly higher than it was just a year ago.

Brookfield is a dominant player in the [renewable](#) industry. It has enviable hydro assets that are supported by a growing portfolio of wind, solar, battery, and distributed generation projects. It has also just entered a partnership to own one of the largest nuclear power services businesses in the world.

Brookfield has a development pipeline that is a more than four times the size of its current generating capacity. Now it is not the cheapest renewable stock, but its scale and access to capital make it a truly one-of-a-kind stock in the sector.

Put \$20,000 into Brookfield Renewable stock and you would earn \$239 quarterly or \$956 annualized. The company has a great track record growing its dividend annually by around 6%. If that keeps up, there is upside for your TFSA passive income.

COMPANY	RECENT PRICE	NUMBER OF SHARES	DIVIDEND	TOTAL PAYOUT	FREQUENCY
TELUS	\$27.13	737	\$0.35	\$258	Quarterly
Brookfield Renewable Partners	\$37.44	534	\$0.4475	\$239	Quarterly

Prices as of February 9, 2023

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
2. TSX:T (TELUS)

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