



How to Create \$900 in Passive Income Each and Every Month

Description

Are you one of those people who dream of stress-free passive investment income? The idea of being able to kick back and collect monthly dividend payments without lifting a finger is certainly appealing. But how can you make this dream a reality?

While there are several popular methods, such as rental properties and peer-to-peer lending, there's a simple and often overlooked way to generate passive income — by utilizing a [Tax-Free Savings Account \(TFSA\)](#) combined with a high-yield [exchange-traded fund \(ETF\)](#). Let's take a look at how this works.

Max out your TFSA first

Contributing to your TFSA should be a top priority when it comes to generating passive income. This is because any Canadian dividends and interest income earned in a TFSA and withdrawn are tax free. This means more money stays in your pocket and not paid to the Canada Revenue Agency!

The amount you can contribute to a TFSA varies based on your birth date, but if you've never invested in a TFSA prior to 2023 and turned 18 before 2009, you may have up to \$88,000 in contribution room. The contribution limit increases each year, coming in at \$6,500 for 2023.

Invest in the right ETF

Once you have a fully funded TFSA of \$88,000, it's time to pick an income-generating asset. While you could plop this into a Canadian dividend stock (and the Fool has some great recommendations at the end of this article), this approach isn't the best for diversification.

My suggestion is using an ETF like **CI Energy Giants Covered Call ETF** ([TSX:NXF](#)). This ETF holds 15 of the largest North American energy companies and deploys a covered call overlay to maximize its yield. Right now, the ETF has trailing 12-month yield of 11.44% paid on a quarterly basis.

Calculate income potential

Assuming NXF's most recent December monthly distribution of \$0.1898 and current share price at the time of writing of \$18.41 remained consistent moving forward, an investor who buys \$88,000 worth of NXF could expect the following quarterly payout:

COMPANY	RECENT PRICE	NUMBER OF SHARES	DIVIDEND	TOTAL PAYOUT	FREQUENCY
NXF	\$6.10	14,426	\$0.1898	\$2,738	Quarterly

On a monthly basis, this works out to around \$912. Keep in mind that this projection is based on NXF's last distribution paid and current share price and can change in the future based on how the underlying stocks in NXF perform and market volatility.

It's also worth noting that NXF's share price won't grow much because it converts upside potential into immediate income. Younger investors who don't need the passive income may also be better served investing their TFSA for growth (and the Fool has some great stock suggestions for that below!)

CATEGORY

1. Investing

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1. Cannabis
2. Editor's Choice
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1. TSX:NXF (CI Energy Giants Covered Call ETF)

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