



## How to Generate \$7,000 in Annual Tax-Free Passive Income

### Description

Canadian retirees are searching for ways to get better returns on their savings without having to pay any tax, or even worse, get pushed into another tax bracket where they are subjected to OAS clawbacks.

One solution involves owning dividend stocks inside a TFSA. The contribution limit per person is now up to \$63,500, which would mean a retired couple could buy \$127,000 in dividend stocks and put the full value of the distributions in their pockets. If the shares had an average yield of 5.5%, the investments could generate nearly \$7,000 per year in tax-free income.

Let's take a look at two TSX Index stocks that appear oversold right now and pay reliable [above-average yield](#).

### Bank of Nova Scotia

**Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) just reported fiscal Q2 2019 results that came in slightly below analyst estimates. The company earned \$1.70 per share in the quarter, and the market had anticipated something around \$1.74.

Overall, the bank still delivered strong profits, led by ongoing growth in the international division. Bank of Nova Scotia has invested billions to build a large presence in Mexico, Peru, Chile, and Colombia, and the strategy is paying off. The four countries form the Pacific Alliance trade bloc that allows the free movement of goods, capital, and labour. As the middle class expands in these markets, Bank of Nova Scotia should benefit.

The stock is down to the point where an investor who buys today can pick up a 5% yield with a shot at some nice stock-price appreciation once sentiment improves.

### Power Financial

**Power Financial** (TSX:PWF) is a holding company with assets that include a number of well-known Canadian insurance and asset management companies. The stock is a great way for investors to get diversified exposure in the Canadian financial sector aside from the banks.

Power Financial recently raised its dividend by 5% and announced a major share buyback. This suggests the board has a positive outlook for revenue and profits over the medium term. The company reported solid results in 2018, and this year should see the trend continue.

Investors who buy today can pick up a [yield](#) of 6%.

## The bottom line

Bank of Nova Scotia and Power Financial are strong companies that should continue to deliver reliable dividends. An equal investment in the two stocks would provide a 5.5% yield today.

The TSX Index has many top-quality stocks that offer dividend yields in the 5-6% range right now, and a balanced portfolio spread out across such names to produce a 5.5% average yield would generate \$6,985 per year for a couple with a combined TFSA portfolio of \$127,000.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

### TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)

### PARTNER-FEEDS

1. Msn
2. Newscred
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Author  
aswalker

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