TFSA Wealth: How Canadian Couples Can Generate $577 Per Month in Tax-Free Income

Description

Canadian families are trying to find ways to boost their monthly income without having to hand over a big chunk of the extra cash to the tax authorities.

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Many people have side gigs or own rental properties as a way to increase earnings, but that income is taxed, and the work requires a significant time commitment that takes away opportunities to hang out with loved ones and friends.

One alternative is to generate passive income from high-yield dividend stocks held inside a TFSA.

With the maximum TFSA contribution limit now as high as $63,500 per person, a Canadian couple can generate solid cash flow from a $127,000 portfolio. It takes some discipline to make the annual contributions, but the end result is worth the effort.

Let's take a look at two dividend stocks that might be interesting picks to get your TFSA income fund started.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a giant in the TSX Index with a market capitalization of $98 billion. That makes it one of the three largest companies in the country based on this metric, trailing only **Royal Bank** and **TD**.

Enbridge transports a significant part of the oil, natural gas, and gas liquids produced in Canada and the United States, playing a key role in the functioning of the North American energy sector. The company also has natural gas distribution assets serving business and residential customers. Finally, a renewable energy division operates solar and wind farm businesses in Canada and Europe.

The existing $19 billion capital program can be funded through internal cash flow. This means investors don't have to worry about a large share issue or new debt being taken on to get the projects completed.

The board raised the dividend by 10% in 2019. Going forward, dividend hikes should be in line with expected increases in distributable cash flow in the range of 5-7% per year.

Enbridge continues to find growth opportunities across its large assets base and is big enough to make strategic acquisitions in the energy infrastructure industry when attractive opportunities become available.

Investors who buy Enbridge today can pick up a 6.1% yield.

Telus

Telus is a leader in the Canadian communications industry, supplying customers with mobile, internet, and TV services across the country along its world-class wireless and wireline networks.

Telus doesn’t own a media business, and that has some pundits wondering if the company will get left behind as consumers demand more content across all of their various digital platforms. Time will tell, but it appears Telus is managing quite well without spending billions of dollars on TV networks, specialty channels, or sports teams.

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Instead, Telus is focusing capital on the development of its Telus Health business. The division is already the top player in the emerging sector to provide digital solutions to hospitals, doctors, and insurance companies. As the health industry embraces digital disruption, Telus stand to generate strong results from the group.

The company continues to add new subscribers at a steady pace, and its focus on delivering industry-leading customer service is paying off with low churn rates.

Telus tends to raise its dividend by 8-10% per year. The current payout provides a yield of 4.8%.

The bottom line

Enbridge and Telus are two of Canada’s top dividend stocks with growing distributions and above-average yields. An equal investment split between the two stocks would provide an average yield of 5.45%. This would generate $6,921.50 per year in tax-free income for a couple with TFSA investments of $127,000. That’s $576.79 per month!

A diversified portfolio is always recommended, and the TSX Index is home to many top dividend stocks that offer similar yields to Enbridge or Telus.

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Date
2025/08/01
Date Created
2019/11/01
Author
aswalker

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