TFSA Investors: How to Make up to $3,950 a Year in Tax-Free Dividends

Description

Investors can supplement their income by adding high-yield dividend stocks to their portfolios. Investing in a Tax-Free Savings Account (TFSA) is one way to withdraw dividends without paying taxes to the Canada Revenue Agency.

Dividends provide another source of income that can help you pay your monthly bills, part of your mortgage, and even a holiday. The TFSA contribution limit for 2020 stands at $6,000, while the total contribution limit is $69,500.

The broader markets are experiencing a sell-off driven by the coronavirus outbreak. Today, global equity markets will continue to trade lower after crude oil prices tanked 30%. With so much uncertainty surrounding investors, it is time to take a step back and consider defensive stocks with strong fundamentals and solid cash flows.

Here are two Canadian dividend stocks that have attractive dividend yields for income investors. If you invest $69,500 in these stocks, you can generate up to $3,950 a year in passive income with just dividend payments.

Telecom is a recession-proof industry

Canadian TFSA investors can contemplate adding telecom stocks to their portfolios. Mobile data is an integral part of your daily use, and this expense is now a necessity. Canada's telecom giant **BCE** (TSX:BCE)(NYSE:BCE) is a communications company and has three business segments.

Bell Wireless provides wireless voice and data communications services to residential and commercial customers. Bell Wireline provides data, including internet access and internet protocol television (IPTV), local telephone and long-distance services in major Canadian provinces. Bell Media provides conventional TV, pay-tv, streaming, and digital media services, among others.

The telecom business is unlikely to be impacted by a virus outbreak or economic slowdown. In February 2020, BCE stock fell 5.5% compared to the double-digit decline for the Dow Jones and S&P

500 indexes.

Currently, BCE shares are trading 11.4% below record highs, and it has a forward dividend yield of a tasty 5.5%. In the December quarter, BCE increased dividends by 5%, and it has more than doubled dividend payments in the last 10 years.

BCE has a market cap of $52.4 billion and is one of Canada's heavyweights in the tech space.

Include Capital Power stock in your TFSA

Shares of **Capital Power** (TSX:CPX) are down 22% from its 52-week highs. This North American power-producing company develops, acquires, and operates power generation from a range of energy sources.

It is engaged in the operation of electrical generation facilities in Alberta, Ontario, and British Columbia. In the United States, Capital Power has facilities in New Mexico, Kansas, and North Carolina.

Capital Power owns 3,200 megawatts of power-generation facilities in North America. It has a diverse portfolio of renewable energy sources, including wind, solar, and waste heat in addition to coal and natural gas facilities. Capital Power has managed to consistently increase sales over the years. Its revenue has grown from $1.14 billion in 2017 to $1.96 billion in 2019.

The stock has a dividend yield of 5.9%, and the company increased dividends by 7.3% in July 2019. This recession-proof utility stock can be a safe bet for your TFSA. In case you allocate $69,500 equally in BCE and Capital Power, you can generate close to $3,950 in annual dividend payments.

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