2 TFSA High-Yield Dividend Stocks for Passive Income the CRA Can't Touch

Description

The federal government in Canada and its central bank are doing all it could to avoid a financial catastrophe. Never mind if it means spending billions of dollars in aid and bloating the budget deficit. Canadians affected by COVID-19 have been receiving pandemic money since March 2020.

Recipients of the benefits welcome the temporary income support but not so much the tax component. If tax is a concern, you can create a tax-free passive income using your Tax-Free Savings Account (TFSA).

TFSA contributions, as well as investment income or capital gains and withdrawals, are not deductible for income tax purposes. The CRA can't touch any of them. Now is the best time to maximize your TFSA. Invest in high-yield dividend stocks and don't worry about taxes anymore.

Dividend longevity

Income investors and retirees are content with owning shares of the fifth-largest bank in Canada, because cash is continuously flowing. The 153-year-old **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) has been paying dividends for 152 years — a remarkable feat in terms of dividend longevity.

CIBC's client base consists of individuals, businesses, commercial, corporate and institutional clients. The reach of its financial products and services is in Canada, the U.S. (offices in 27 cities), and other international markets. This $47.44 billion bank is known for its client-focused culture and operational efficiencies.

In the pandemic, CIBC is focusing on the innovation economy. CIBC Innovation Banking offers a complete ecosystem of financial services and provides capital to early-stage companies and middle- to mature-stage businesses. Expect CIBC to deepen relationships in its core markets further and continue expanding its footprint in new markets for organic growth. This bank stock is must-have in a TFSA.

Hold for the long haul

Telecom giant **BCE** (TSX:BCE)(NYSE:BCE) is a no-brainer choice if you want a defensive, high-yield income stock in your TFSA. The largest telecom in Canada by market capitalization ($50.53 billion) is a cash cow with its 5.91% dividend.

The main tailwind for BCE is the ever-growing demand for data and communication infrastructure. In Q3 2020 (quarter ended September 30, 2020), the company reported stronger financial results across the three operating segments — Bell Wireless, Bell Wireline, and Bell Media.

Management is happy to note the reopening of retail stores, step-up in economic activity, and live sports programming return. At the quarter's end, BCE's wireless and retail internet, TV, and residential NAS connections went up 1% to 19,076,265 versus Q3 2019. Subscriber growth was recorded in postpaid, prepaid, retail internet, and IPTV customers.

Mirko Bibic, BCE's president and CEO, expects accounts receivable and inventory levels to grow in Q4 due to increased sales activity. Likewise, the liquidity position will remain very healthy, while the company will continue to generate robust free cash flow.

The new normal

People are insecure about their financial position due to the impact of the pandemic. The use of or opening a TFSA is becoming more critical than ever before. The new normal is to keep a portion of savings in cash and invest some to create a passive-income stream. The reward for maximizing your TFSA is tax-free earnings.

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