



TFSA Investors: How to Earn Tax-Free Passive Income of \$5,285 in 2021

Description

Last year taught us the importance of having a secondary income, as many Canadians lost their jobs amid the pandemic-infused lockdown. Despite the government's support, people with secondary income fared better during the crisis. Meanwhile, given the low-interest-rate environment, investing in high-yielding dividend stocks could be the cheapest and most convenient way to earn passive income.

The Canadian government had initiated the Tax-Free Savings Account (TFSA) program in 2009 to encourage Canadian citizens to save more. It allows Canadians to earn tax-free returns on a specified amount called contribution room. For 2021, the Canada Revenue Agency (CRA) has set the contribution room of \$6,000, while the cumulative contribution limit stands at \$75,500.

If a TFSA holder invests the entire amount of \$75,500 in dividend stocks with 7% yields, they can earn a tax-free passive income of \$5,285 in 2021. Meanwhile, here are two safe TSX companies with dividend yields of above 7%.

Pembina Pipeline

An energy transportation and midstream service company, **Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)), has been delivering robust numbers over the last few years. Its adjusted EBITDA per share had increased at a CAGR of approximately 13% over the previous 10 years. Given its highly contracted business, the company earns around 95% of its adjusted EBITDA from fee-based contracts, delivering stable and predictable cash flows.

These strong cash flows have allowed Pembina Pipeline to maintain or raise its dividends since 1998. With monthly dividends of \$0.21 per share, its dividend yield currently stands at 7.1%.

Meanwhile, Pembina Pipeline's management has provided an [optimistic outlook for 2021](#). The management expects its adjusted EBITDA to be in the range of \$3.2 billion to \$3.4 billion, representing a 9% growth from the mid-point of its 2020 guidance. The increased asset utilization due to higher oil demand could drive the company's financials in 2021. Further, given its liquidity of \$2.54 billion, the company's financial position looks healthy.

Enbridge

The energy infrastructure company, **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)), has made a strong start to this year, with its stock price rising by 10.6%. The increased oil demand amid the uptick in economic activities has led its stock price to surge.

Meanwhile, Enbridge runs a highly regulated business, with 98% of its adjusted EBITDA generated from its long-term contractual agreements, thus stabilizing its financials and cash flows. Further, the company is continuing with its \$16 billion secured growth capital program, which could contribute \$2 billion of adjusted EBITDA growth from 2021 to 2023. Further, its management has reaffirmed its long-term guidance, which projects a 5-7% annualized growth in its distributable cash flow per share. So, the company's growth prospects look healthy.

Enbridge has been paying dividends for the past 66 years. It has raised its dividends at a CAGR of 10% over the last 26 years. Last month, the company's board increased its quarterly dividends by 3% to \$0.835 per share, representing a dividend yield of 7.4%. Given its healthy growth prospects and stable cash flows, we can expect the company to continue raising its dividends in the coming years. So, [Enbridge would be an excellent buy for income-seeking investors](#).

Bottom line

Given their strong track records, stable cash flows, and healthy liquidity positions, both companies' dividends are safe. Along with dividends, investors could benefit from stock price appreciations. Amid improving oil demand, I expect both companies to deliver strong numbers this year, driving their stock prices higher.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:ENB (Enbridge Inc.)
4. TSX:PPL (Pembina Pipeline Corporation)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date

2025/08/26

Date Created

2021/01/15

Author

rnanjapla

default watermark

default watermark