CRA Passive Income: How to Turn Your TFSA Into Tax-Free Cash Flow

Description

Many Canadians allocate some of the contribution room in their Tax-Free Savings Account (TFSA) to store emergency funds for a rainy day. The account's flexibility and tax-free status make it an ideal vehicle to store emergency funds. However, using the contribution room for high-return investments can make it a more useful investment tool to meet your financial needs.

You can always put the emergency funds in a non-registered account and use the TFSA to generate tax-free passive income. Investing in the right income-generating assets through your TFSA can entitle you to substantial income that the Canada Revenue Agency (CRA) cannot tax.

I will discuss three Canadian Dividend Aristocrats that could make an ideal foundation for this purpose in your TFSA.

Enbridge

Enbridge Inc. (TSX:ENB)(NYSE:ENB) is an energy sector operator battered by the economic fallout from the oil price crisis and COVID-19. However, the company relies on transporting products through its massive liquids and gas pipeline network instead of producing it. The company effectively provides an essential service to transport natural gas and oil across North America.

The company has a stable balance sheet, and it is a top dividend stock that has been increasing its payouts for 25 consecutive years. It can generate high-quality cash flows to finance its growth and growing dividend payouts comfortably. It could be an excellent addition to your TFSA.

BCE

BCE (TSX:BCE)(NYSE:BCE) is another exceptional stock to consider adding to your portfolio. Telecommunications services have become increasingly important in our daily lives, and companies like BCE have become integral in our lives.

A well-established player among the top three Canadian telecom providers, BCE generates substantial cash flow to pay juicy dividends to its shareholders. With the rollout of 5G services underway, BCE has a lot of room to grow its cash flows and continue paying its shareholders reliable dividends.

The company has been an awarded an investment-grade S&P credit rating of BBB+, making it an attractive investment to consider adding to your portfolio. It is also an ideal defensive stock to consider for your portfolio in volatile market conditions due to the essential nature of its service. The company can continue generating reliable cash flows regardless of economic conditions, making it an ideal pick.

The Bank of Nova Scotia

The **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) is a staple investment to consider for any kind of TFSA portfolio. Whether you are creating a portfolio for long-term capital growth or to generate consistent tax-free income to supplement your active income, BNS can be a reliable asset to consider.

The stock took a beating due to the onset of COVID-19, like most others on the TSX. However, it is on a path to recovery as global economies recover. The international bank will benefit from improved conditions and higher growth in the emerging markets.

The Bank of Nova Scotia has been awarded a quality S&P credit rating of A+ that makes it an excellent investment to consider adding to your portfolio.

Foolish takeaway

At writing, Enbridge is trading for $34.46 per share and paying its shareholders dividends at a juicy 7.63% dividend yield. BCE is trading for $55.72 and paying its shareholders at a 6.28% dividend yield, and BNS is trading for $71.08 per share and has a 5.06% dividend yield.

Creating a TFSA portfolio with ENB, BCE, and BNS as the foundations could set you up for substantial tax-free cash flows that can grow your account balance considerably over the years.

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