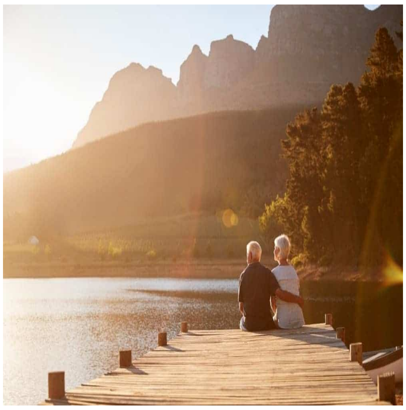

Retired Couples: This Simple TFSA Portfolio Generates $692 Per Month in Tax-Free Income!

Description

The TFSA is a great investing tool to help Canadian retirees generate steady tax-free income.

TFSA benefits

The government created the TFSA in 2009 to give Canadians an extra way to put money aside for future purchases or retirement.

All interest, dividends, and capital gains earned inside the TFSA remain tax-free. In addition, the CRA does not count TFSA income when it determines the Old Age Security (OAS) pension recovery tax. This is important for seniors who collect OAS and might have net world income that puts them near or above the minimum threshold for the OAS clawback.

The TFSA contribution limit for 2021 increased by $6,000. That brings the maximum cumulative amount to $75,500 per person. Retired couples have as much as $151,000 in TFSA room to generate tax-free earnings.

Best TFSA investments?

GICs are safe, but they don't pay enough to cover inflation these days. As a result, top **TSX** dividend stocks are becoming more popular to get attractive returns on savings.

Stocks aren't as cheap as they were a year ago, but retirees can still find top-quality dividend stocks at reasonable prices. The best stocks to own tend to have long track records of dividend growth. Ideally, the companies provide essential products or services and enjoy sustainable competitive moats.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is Canada's third-largest bank by market capitalization. The company's large international division took a hit last year, but the group should bounce back as the pandemic ends and global growth ramps up.

Bank of Nova Scotia is sitting on significant excess capital. When the government gives the banks the green light to raise dividends again, investors should see a big boost in the payout. An aggressive share-buyback program might also be on the way.

The rally in the stock price over the past five months wiped out most of the discount in the shares, but investors can still get a solid 4.6% yield with decent growth on the horizon.

Telus

Telus (TSX:T)(NYSE:TU) provides mobile, TV, internet, and security services across its world-class wireless and wireline network infrastructure. The company also has a growing digital health group that saw demand for its services surge over the past year.

Telus Health is a leading supplier of digital solutions for doctors, hospitals, and insurance companies across Canada. As the health industry continues to transition to online services, Telus Health should benefit.

On the communications side, the expansion of 5G networks should provide Telus and its peers with new revenue opportunities. Telus recently raised $1.3 billion through a stock sale to fund the 5G investment.

The stock dropped on the news, giving investors a chance to buy Telus at a decent price and lock in a great dividend yield. At the time of writing, Telus trades near $25.50 per share and provides a 4.9% yield.

Enbridge

Enbridge (TSX:ENB) (NYSE:ENB) saw throughput on its oil pipelines drop last year. As the economy ramps back up and fuel demand rises, the company should see volumes move back towards capacity. Enbridge's other businesses continued to perform well through the challenges of the past 12 months. The natural gas transmission, storage, and distribution utility businesses make up a significant part of the operations. Enbridge's renewable energy assets also contributed to help offset weakness on the oil pipeline side.

The board felt comfortable raising the dividend for 2021, marking the 26th straight year of payout increases. Looking ahead, Enbridge expects the capital program to support annual distributable cash flow (DCF) growth of 5-7% over the medium term. Dividend hikes should be in the same range.

Enbridge stock looks undervalued at the current price near $46 per share. Investors who buy now can get a 7% yield.

The bottom line for TFSA income

Bank of Nova Scotia, Telus, and Enbridge are all great companies with attractive dividends that should continue to grow. An equal investment across the three stocks would produce an average yield of 5.5%.

This would generate $8,305 per year in tax-free income on $151,000 held inside a TFSA. That's $692 per month!

Diversification is always recommended and the TSX Index is home to many top dividend stocks that still trade at reasonable prices.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:ENB (Enbridge Inc.)
3. NYSE:TU (TELUS)
4. TSX:BNS (Bank Of Nova Scotia)
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