3 Top Passive Income Stocks for TFSA Investors

Description

Canadian retirees and other income investors can use the Tax-Free Savings Account (TFSA) to create a reliable stream of passive income to supplement pensions and other earnings.

TFSA limit

The government created the TFSA in 2009 to give Canadians an additional tool to save cash. Since its inception, the maximum cumulative TFSA contribution room has grown to $75,500. That's now large enough to build a significant portfolio of top dividend stocks to generate tax-free passive income.

Let's take a look at three good stocks that offer above-average yields for a passive-income TFSA portfolio.

BCE

BCE (TSX:BCE)(NYSE:BCE) is a leader in the Canadian communications industry. The company provides mobile, internet, and TV services across its vast wireless and wireline networks. As demand rises for increased broadband across multiple platforms BCE is investing billions of dollars in fibre optic and 5G networks.

BCE generates strong free cash flow and has the power to raise prices when it needs extra funds to help finance the network expansion. A recent decision by the CRTC to cancel planned cuts to wholesale internet prices gives BCE a clearer picture of its revenue outlook and enabled the company to boost investment in new infrastructure by $500 million.

The stock still trades below the pre-pandemic price and offers an attractive 5.6% dividend yield. The distribution should rise at a steady pace, making BCE a good pick for a passive-income portfolio.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a giant in the North American energy infrastructure industry. The company moves 25% of the oil produced in Canada and the U.S. and transports 20% of the natural gas consumed in the United States. Enbridge also has natural gas utility businesses and natural gas storage facilities, along with a growing renewable energy division.

The capital program still has oil pipelines under development, but the larger part of the investments focuses on natural gas and renewable energy.

Enbridge raised the dividend last year despite the challenging environment for the oil pipelines. As gasoline and jet fuel consumption rises in the coming months Enbridge's oil pipelines should see more demand from refineries that need added crude oil feedstock to produce these products.

Enbridge is targeting distributable cash flow growth of 5-7% per year over the medium term. That should support yearly dividend hikes in the same range. The stock appears cheap right now and provides a solid 6.75% dividend yield.

Power Corp

Power Corp (TSX:POW) is a Canadian holding company primarily focused on insurance and wealth management. These sectors produce strong cash flows and are enjoying the benefits of the market rally over the past year. Power Corp also has a number of venture capital investments through its subsidiaries. These include a controlling position in fintech star Wealthsimple and a large position in **The Lion Electric Company**.

Power Corp is a great stock to own if you want to get good reliable yield from financial stocks that are not banks while having low-risk exposure to the potential windfall from the EV and fintech bets.

Investors who buy the stock at the current share price can pick up a 4.6% dividend yield.

The bottom line on TFSA passive income

The TFSA is a great tool for investors to generate tax-free passive income on their savings. Top dividend stocks like BCE, Enbridge, and Power Corp pay attractive yields and should continue to boost the distributions in the coming years.

An equal investment in the three companies at the time of writing would provide an average yield of 5.65%.

CATEGORY

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