A Simple TFSA Portfolio to Get $300 in Monthly Tax-Free Income

Description

TFSA investors are searching for top dividend stocks that will build a reliable passive-income stream to complement pensions or employment earnings.

TFSA advantage

The government created the TFSA in 2009 to give Canadians an extra savings tool on top of the RRSP. Since inception, the cumulative TFSA contribution limit has grown to $75,500 in 2021. That's large enough to set up a passive-income portfolio that can generate steady tax-free cash flow on hard-earned savings.

The TFSA provides a lot of flexibility. Investors can pull funds at any time to cover emergencies and the full value of all cash removed gets added back to the available contribution room in the next calendar year. Earnings on investments are not taxed, and retirees don't have to worry about interest or dividends being added to their net world income calculation that determines OAS clawbacks.

The best stocks to own tend to pay attractive and safe dividends that should continue to grow at a steady pace. Let's take a look at **Telus** (TSX:T)(NYSE:TU), **TD Bank** (TSX:TD)(NYSE:TD), and **Enbridge** (TSX:ENB)(NYSE:ENB) to see why they might be interesting picks today to start a TFSA income fund.

Telus

Telus is a leading player in the Canadian communications industry with wireless and wireline networks that provide customers with mobile, internet, and TV services. The company is expanding its fibre optic and 5G networks to ensure it continues to meet the demands of its subscribers.

New revenue opportunities exist in home monitoring and security services. Telus also has a growing health division that provides digital solutions to help doctors, hospitals, and insurance companies operate more efficiently. The group's products really showed their value over the past year, and there is strong potential for revenue growth at Telus Health.

Telus has a great track record of raising the dividend. At the time of writing, the stock provides a 4.5% yield.

TD

TD is Canada’s second-largest bank by market capitalization. The company is best known for its Canadian retail operations, but TD also has a large presence in the United States. The American business should benefit from the post-pandemic economic rebound, as massive stimulus efforts turbocharge the recovery.

TD is sitting on significant excess cash right now. The funds were set aside last year to cover a potential wave of defaults. Government assistance for homeowners and businesses helped avoid the worst-case scenario, and investors should reap the rewards when the banks are allowed to resume dividend hikes and share buybacks.

Investors who buy TD stock now can pick up a 3.7% dividend yield.

Enbridge

Enbridge is a key player in the North American energy infrastructure sector. The company transports 25% of all the oil produced in the U.S. and Canada and moves 20% of the natural gas used in the United States. Enbridge also has a growing renewable energy division with wind, solar, and geothermal assets.

Most of the company’s revenue comes from regulated businesses and Enbridge has a large capital program on the go that will continue to support distributable cash flow growth of 5-7% per year. Enbridge’s stock price looks undervalued at the current level and offers a solid 6.8% dividend yield.

The bottom line on TFSA income stocks

Telus, TD, and Enbridge are all top-quality companies with attractive dividends that should continue to grow. An equal investment across the three stocks would provide an average yield of 5% per year. This would generate annual tax-free income of $3,775 on a $75,500 TFSA portfolio.

That’s more than $300 per month!

CATEGORY

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2. NYSE:TD (The Toronto-Dominion Bank)

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Date
2025/07/27
Date Created
2021/08/15
Author
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