



## Passive Income: How to Earn \$300 per Month Tax-Free

### Description

Retirees and other investors seeking reliable passive income are searching for top [dividend stocks](#) to add to their portfolios. Using the Tax-Free Savings Account (TFSA) to hold the stocks is a great way to earn tax-free income on your investments.

### TFSA approach

The government created the TFSA in 2009 to give Canadian savers another option for putting cash away for retirement. Since its inception, the cumulative TFSA contribution room has grown to \$75,500 per person. That means a retired couple would have as much as \$151,000 today of investment space to generate tax-free passive income.

Anyone over the age of 18 who qualifies for a TFSA account should consider the tool for holding savings, but pensioners can really benefit. The income earned inside the TFSA is not counted when the CRA determines net world income. This is important for those who receive Old Age Security pensions, since the CRA implements a 15% [OAS pension recovery tax](#), commonly referred to as the OAS clawback, on any income earned above a minimum threshold. That amount for the 2021 income year is \$79,845.

### Best TFSA investments?

Ideally, investors would get good returns on GICs that carry zero risks, but GIC rates from the banks top out around 2% right now if you lock in for five years. That's less than current inflation and might run below inflation for some time.

As a result, income investors are turning to top dividend stocks. This comes with risk to the principal amount, but some top Canadian dividend payers appear attractive at current prices and pay above-average payouts that should continue to grow.

## TC Energy

**TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)) operates more than \$100 billion in energy infrastructure and power generation assets in Canada, the United States, and the Caribbean. The core focus is on natural gas transmission and storage, with power production facilities providing reliable cash flow streams to help pay for capital projects.

TC Energy grows through strategic acquisitions and organic developments. The company currently has a \$21 billion capital program in place that should boost revenue and cash flow enough in the next few years to support average annual dividend increases of at least 5%.

TC Energy trades near \$62 per share at the time of writing compared to \$75 before the pandemic, so there is a decent upside opportunity as funds shift back into the energy infrastructure sector. Investors who buy the stock today can pick up a 5.6% dividend yield.

## Bank of Nova Scotia

**Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) is Canada's third-largest bank with a market capitalization of \$95 billion. The bank has a great track record of paying reliable dividends and investors should see a generous distribution increase in the coming months once the government gives the banks the green light to restart payout increases.

Bank of Nova Scotia trades near \$78 per share right now compared to the 2021 high of \$82, so investors can pick up the stock on a bit of a dip. Buying Bank of Nova Scotia on pullbacks has traditionally resulted in good long-term returns. At the current price, the stock provides a solid 4.6% dividend yield.

## The bottom line on TFSA passive income

An equal investment in TC Energy and Bank of Nova Scotia would generate an average dividend yield of 5.1% today. Investors could easily put together a diversified portfolio that includes other top Canadian dividend stocks and get an average 5% yield. Inside a \$75,500 TFSA, this would generate \$3,775 in annual tax-free dividends. That's more than \$300 per month!

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
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3. TSX:BNS (Bank Of Nova Scotia)
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## **Date**

2025/08/29

## **Date Created**

2021/09/15

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