



Hate Taxes? Then Do This 1 Trick With Your TFSA

Description

There are two certainties in life: death and taxes. While death is inevitable, that does not mean that you have to contend with paying out a good chunk of your income in taxes to the government in every instance. There are opportunities for Canadian investors to generate decent income without incurring additional income tax than they might already be paying.

If you have been eligible for the Tax-Free Savings Account (TFSA) and you have not used this tax-advantaged account to its full potential, you are in for a treat. Sure, the name of the account implies that it is a *savings* account. In reality, it has the potential to be much more. Provided that you can find the right assets to buy and hold in the account, your TFSA could become an excellent investment vehicle.

[TFSA investing](#) with the right portfolio of income-generating assets could set you up with another revenue stream that can keep growing your account balance for years without you having to worry about paying additional taxes on the extra income.

Today, I will discuss two [TSX dividend stocks](#) that you could add to your TFSA to fully realize its potential to generate tax-free returns for you.

Fortis

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) stock is a no-brainer pick for many Canadian investors who want to generate tax-free returns through shareholder dividends in their TFSAs. The Canadian Dividend Aristocrat has consistently raised its dividend payouts for the last 48 years, and the company's management expects to make further dividend hikes at a CAGR of 6% in the next five years.

Fortis is a utility holdings company with 10 natural gas and electric utility businesses across Canada, the U.S., and the Caribbean. The company relies on highly rate-regulated and long-term contracted assets to generate revenues by providing utility services to around 3.4 million customers, virtually guaranteeing stable and predictable cash flows.

At writing, the stock is trading for \$56.63 per share, and it boasts a juicy 3.78% dividend yield.

Enbridge

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) stock has also been a reliable asset for income-seeking investors who want to generate tax-free returns on their investments held in a TFSA. The Canadian energy infrastructure company has a diversified cash flow and boasts a rich history of paying shareholder dividends. The company's contractual framework allows it to reduce the risk to its cashflows due to commodity price fluctuations.

The company managed to deliver dividend hikes during the pandemic when most of its peers either suspended or slashed shareholder dividends. The renewed demand in the energy sector has provided a boost to its financials. Enbridge is also solidifying its efforts to establish renewable energy operations to sustain its growth in the future.

At writing, the stock is trading for \$52.62 per share, and it boasts a juicy 6.35% dividend yield.

Foolish takeaway

Any contributions you make to your TFSA are made through after-tax dollars. It means that any returns on your investments held within the account can grow without incurring any income tax.

Dividend investing with the right [income-generating assets](#) through your TFSA to enjoy tax-free income that you can use to supplement your active income. You could also consider reinvesting the shareholder dividends from these assets to buy more shares through a dividend reinvestment plan and unlock the power of compounding to accelerate your wealth growth in the TFSA.

Regardless of how you plan to use your TFSA contribution room, Fortis stock and Enbridge stock could be excellent income-generating assets to build strong foundations for your TFSA portfolio.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:FTS (Fortis Inc.)
3. TSX:ENB (Enbridge Inc.)
4. TSX:FTS (Fortis Inc.)

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