TFSA Passive Income: 5 Stocks to Follow

Description

Building a solid TFSA portfolio should be the primary goal of every Canadian. In fact, I believe you shouldn't open another investment account before having maxed out your TFSA. By taking advantage of this account early, investors can reap the rewards of tax-free gains. In addition, all dividends received in a TFSA are also tax-free. This means that if you build a solid source of passive income using your TFSA, you can supplement your primary source of income with having to worry about taxes later on.

Here are five stocks you should consider holding in your TFSA.

This is a top Canadian stock

The first stock Canadians should consider holding in a TFSA is **Fortis** (TSX:FTS)(NYSE:FTS). It provides regulated gas and electric utilities to more than 3.4 million customers in Canada, the United States, and the Caribbean. Fortis has built a reputation of being a reliable dividend payer.

Known as a Dividend Aristocrat, Fortis has managed to increase its dividend for the past 47 years. Only one other company claims a longer active dividend-growth streak. Fortis currently offers an attractive forward dividend yield of 3.80%. If you want to start accumulating dividends in a TFSA, Fortis should be up for consideration.

Invest in a proven winner

There are few companies on the **TSX** that are as storied as **Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM). With nearly $625 billion assets under management, Brookfield is one of the largest alternative asset management firms in the world. The company operates and invests in assets within the real estate, infrastructure, and renewable utility industries.

The biggest piece of news from the company this year came in July. In that announcement, Brookfield stated that it would be partnering with **Tesla** to develop a large-scale sustainable neighbourhood in the

United States. Brookfield is another Canadian Dividend Aristocrat, having increased its dividend in each of the past nine years. Its forward dividend yield is a modest 0.86%. However, Brookfield stock's long history of market outperformance should be enough to attract investors.

Perhaps the most popular industry

If you took a poll of every Canadian investor, there's a good chance you'll find that the majority holds at least one of the Big Five banks. This is because the Canadian banking industry is highly regulated. That makes it difficult for new competitors to surpass the industry leaders. This gives the Big Five a strong moat and makes them attractive to investors. Of that group, **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) is my top pick.

Unlike its peers, Bank of Nova Scotia has invested a lot in expanding its reach outside of North America. By giving itself exposure to developing economies, the company is poised to grow at rapid rates if its bets pay off. Bank of Nova Scotia is a Canadian Dividend Aristocrat, clinging onto a nine-year dividend-growth streak.

This company has a skyrocketing dividend

When looking for dividend companies to hold in your TFSA, investors should look for stocks that have been able to increase distributions faster than the rate of inflation. This ensures that your source of income doesn't lose buying power over time. One company that has done an excellent job of increasing its dividend at a fast rate is **goeasy** (TSX:GSY).

Since 2014, the company has never failed to increase its dividend distribution. Although that gives it the shortest dividend-growth streak of the companies mentioned here, it also possesses the most impressive dividend-growth rate. Over the past seven years, goeasy's dividend has increased from $0.085 per share to $0.66 per share. That represents more than a 700% increase!

A reliable Canadian company

It's often forgotten, but the Canadian railway industry is largely responsible for shaping Canada into the country we know it as today. The Canadian railway industry is dominated by two companies, giving them a formidable moat. In addition, there are no feasible replacements for the railway industry. This strengthens the argument that Canadian railway companies deserve a spot in your portfolio.

Of the two railway companies, **Canadian National** (TSX:CNR)(NYSE:CNI) should be considered for your portfolio. With nearly 33,000 km of track, the company operates the largest rail network in Canada. Canadian national claims a 25-year dividend-growth streak.

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2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:CNI (Canadian National Railway Company)
4. NYSE:FTS (Fortis Inc.)
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Date
2025/09/08
Date Created
2021/11/24
Author
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