



2 Top TSX Dividend Stocks for TFSA Passive Income

Description

Retirees and other Canadian investors are searching for top TSX dividend stocks to put in their self-directed TFSA focused on passive income.

TFSA advantage

The TFSA limit for 2022 is \$6,000. This brings the cumulative maximum contribution space to \$81,500. That's a significant amount of investment capacity that can generate tax-free interest, dividends, and capital gains.

All investors can benefit from the TFSA, but it is particularly useful for retirees who collect Old Age Security (OAS) along with other taxable pension income. It is common for seniors to get income from a company pension, CPP, RRIF withdrawals, RRSP withdrawals, and investments held in taxable accounts. When all of the income is added up, it can push the person into a high enough tax bracket that they are hit with the [OAS pension recovery tax](#).

Earnings generated inside a TFSA, however, are not counted toward the net world income calculation the CRA uses to determine the OAS clawback. This is a big deal, as the OAS pension recovery tax is 15% of every dollar in net world income earned above a minimum threshold. That number is \$79,845 for the 2021 income year and impacts the OAS payments for July 2022 to June 2023.

It makes sense for retirees who are near or above the OAS clawback threshold in 2022 to ensure they max out their TFSA limits.

Let's take a look at two top TFSA dividend stocks that might be attractive TFSA picks for passive income.

Fortis

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) is a utility company with \$57 billion in assets that include power

generation, electric transmission, and natural gas distribution businesses located in Canada, the United States, and the Caribbean.

The revenue stream is reliable and predictable, making Fortis a great stock to buy for a TFSA focused on passive income. The board raised the dividend in each of the past 48 years, and Fortis intends to increase the payout by an average of 6% per year through at least 2025.

Growth comes from acquisitions and investments in new infrastructure across the existing asset portfolio. Fortis currently has a \$20 billion capital program in place that will increase the rate base by about 6% per year until 2026. This will support the targeted dividend growth.

The stock trades near \$60 per share at the time of writing and provides a 3.5% dividend yield.

Enbridge

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is a giant in the North American energy infrastructure sector. The company transports 20% of the natural gas used in the U.S. and moves 25% of the oil produced in Canada and the United States.

Enbridge's natural gas transmission, storage, and distribution group, along with its renewable energy division will see most of the new investment in the coming years. In fact, Enbridge recently announced \$1.1 billion in new capital projects for the two segments.

The board raised the dividend by 3% for 2022, matching the size of the 2021 increase and extending the streak of annual payout hikes to 27 years. Enbridge stock appears [undervalued](#) right now, and new investors can pick up a solid 7% dividend yield.

The bottom line on top stocks for TFSA passive income

Fortis and Enbridge pay attractive and growing dividends for a TFSA portfolio focused on tax-free passive income. A new investment split between the two stocks would proved an average yield of 5.25% today.

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