



TFSA Passive Income: How Canadians Can Earn \$339 Per Month Tax Free

Description

Canadian income investors are searching for ways to boost their employment or pension earnings without being put into a higher tax bracket or putting Old Age Security (OAS) payments at risk of a clawback.

TFSA limit increase for 2022

The [TFSA](#) limit will increase by \$6,000 on January 1, 2022. This brings the total cumulative TFSA contribution room to \$81,500 since the TFSA came into existence in 2009. That means a retired couple would have as much as \$163,000 in TFSA room beginning in 2022.

All interest, dividends, and capital gains generated and removed from the TFSA remain beyond the reach of the CRA. That's great news for pensioners who are near or above the OAS pension recovery tax threshold. The CRA implements a 15% OAS clawback on every dollar of net world income earned above a minimum level. The number to watch in the 2022 tax year is expected to be \$81,161.

Best investments for TFSA income

A [GIC](#) offers 100% protection of your principal investment. The downside is that the interest rates offered on GICs in recent years don't even cover inflation. In the past six months, GIC rates have steadily climbed, and that trend is expected to continue in 2022 as the market anticipates rate hikes from the Bank of Canada. At the time of writing, investors can get up to 2.5% on a five-year GIC and about 2% on a two-year GIC.

Most investors, however, want better returns and are willing to take on some capital risk to get higher yields. Dividend stocks are popular choices and some of Canada's top dividend payers currently trade at attractive prices and offer above-average yields.

Enbridge

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is a giant in the North American energy infrastructure industry with oil and natural gas pipeline networks that transport 25% of the oil produced in Canada and the United States and 20% of the natural gas used by American homes and businesses.

The company delivered strong Q3 2021 results with adjusted net income coming in at \$1.2 billion compared to \$1 billion in the same period last year. Enbridge recently raised the dividend by 3% for 2022. The board has increased the payout in each of the past 27 years, and the strong track record is expected to continue.

At the time of writing, Enbridge trades near \$49 per share and provides a 7% dividend yield.

BCE

BCE ([TSX:BCE](#))([NYSE:BCE](#)) is Canada's largest communications company with wireless and wireline networks that provide homes and businesses with mobile, internet, and TV services. The company also has a media division that owns a TV network, specialty channels, radio stations, and interests in pro sports teams.

BCE is investing heavily in new fibre optic lines that connect directly to the premises of its customers. This ensures clients have the broadband capacity they need for work and entertainment. In addition, owning the line to the property helps protect BCE's competitive moat. BCE is also investing billions of dollars to build out its [5G](#) network.

The company generates solid free cash flow to support the dividend. BCE's current payout provides a 5.3% dividend yield.

The bottom line on tax-free passive income

Enbridge and BCE are top dividend stocks with attractive and growing distributions. An equal investment in the two stocks today would provide an average yield of 6.15%. Investors can easily build a balanced portfolio of TFSA investments right now that would provide a 5% yield. This would generate \$4,075 in tax-free income per year, or more than \$339 per month on \$81,500 in TFSA investments.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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2. NYSE:ENB (Enbridge Inc.)
3. TSX:BCE (BCE Inc.)
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