



Canadian Couples: How to Earn \$8,000 Per Year Tax Free

Description

The [TFSA](#) limit for 2022 is \$6,000. Canadian income investors who have not taken full advantage of their TFSA contribution space are now looking to use their accounts to generate tax-free income that won't bump them into a higher tax bracket.

TFSA investing

The maximum cumulative TFSA limit is now up to \$81,500. This means Canadian couples who were at least 18 years old in 2009 have as much as \$163,000 in TFSA room to generate income on their savings. This is a significant portfolio size and is large enough to serve as a solid base for a self-directed pension fund.

GICs are the safest investments as the principal is 100% guaranteed. Unfortunately, the best return you can get on a [GIC](#) these days is about 2.5% if you lock in the money for five years. That doesn't even cover the current rate of inflation.

As a result, TFSA investors are turning to top dividend stocks to boost returns. Younger investors can use the distributions to buy more shares and harness the power of compounding. Retirees and other income investors can use the payouts as a steady stream of tax-free income.

Pensioners who receive OAS payments get an added bonus by using the TFSA to generate income. The CRA does not use TFSA earnings when calculating net world income to determine the OAS clawback. This is important, because every dollar of taxable income earned above a minimum threshold results in a 15-cent [OAS pension recovery tax](#).

Where should Canadian couples invest?

The best stocks to own tend to have long track records of paying reliable and generous dividends that grow every year.

TC Energy

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) is a giant in the North American energy infrastructure industry with more than 90,000 km of natural gas pipelines in Canada, the United States, and Mexico.

The company has \$29 billion in commercially secured capital projects, of which \$7 billion went into service in 2021. These, along with the ongoing developments, will support revenue and cash flow growth through 2026. TC Energy expects EBITDA to grow by an average annual amount of 5% over this timeframe.

The company intends to raise the dividend by 3-5% per year, expanding a streak the covers more than two decades of annual dividend growth.

The stock appears [undervalued](#) at the current share price near \$59.50 and provides a 5.8% dividend yield.

Telus

Telus ([TSX:T](#))([NYSE:TU](#)) is a major player in the Canadian communications industry with world-class wireline and wireless networks providing mobile, internet, TV, and security services. The company avoided spending billions of dollars on media assets and has instead put investment funds into new businesses that leverage its expertise to drive change in other sectors.

Telus Health is a leader in the Canadian digital health segment, providing doctors, hospitals, and insurance companies with secure digital solutions. In the past two years, Telus saw a large jump in the use of its online platforms, as healthcare providers and their clients conducted more virtual appointments. Telus Health's revenue was on track to increase by more than 10% in 2021, and the strong momentum is expected to continue.

Telus Agriculture is another subsidiary that is seeing strong growth. The division provides farmers with a variety of digital solutions that help them manage their businesses more efficiently.

Telus reported strong Q3 2021 earnings and is investing in new fibre optic lines and [5G](#) networks to drive future growth.

The company has a great track record of dividend growth, and long-term investors have enjoyed attractive total returns. Telus offers a 4.4% dividend yield at the time of writing.

The bottom line on TFSA passive income

The TFSA provides Canadian investors with a way to generate significant tax-free passive income. TC Energy and Telus are top stocks that pay growing dividends with high yields and would generate a combined yield of 5.1% today.

Getting a yield of at least 5% across a basket of top dividend stocks is easy right now. That would provide annual tax-free income of more than \$4,000 per year on an \$80,000 TFSA portfolio. Couples

who max out their TFSA limit could get more than \$8,000 in tax-free passive income per year!

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TRP (Tc Energy)
2. NYSE:TU (TELUS)
3. TSX:T (TELUS)
4. TSX:TRP (TC Energy Corporation)

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