



## How to Generate a Tax-Free Passive Income of at Least \$4,401 in 2022

### Description

Canadians looking for passive income that CRA cannot tax should consider buying high-quality dividend stocks through their Tax-Free Savings Account (TFSA). This article will discuss how you can generate a passive income of at least \$4,401 by investing in these four stocks.

### Book high and reliable yields

Thankfully, a few top-quality TSX stocks are offering very high yields, implying investors can generate a higher passive income that is reliable in the long run. One such stock is **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)), which offers a very high [dividend yield](#) of about 7% at current price levels.

Notably, Enbridge's high yield is secured by its diversified cash flow streams, long-term contractual arrangements, and cost-savings initiatives.

Enbridge has consistently increased its dividend for a very long period. Looking ahead, I expect the recovery in its mainline volumes, strength in the core business, multi-billion-dollar capital projects, and strategic acquisitions to drive its cash flows and future dividend payments. Furthermore, Enbridge's payout ratio is sustainable in the long run.

**Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)) is another reliable dividend stock that offers a high yield. Pembina has paid a dividend for over two decades and has consistently increased it at a healthy pace over the past decade. It pays a [monthly dividend](#) and offers a stellar yield of 6.5%.

It's worth noting that Pembina's highly contracted assets generate strong fee-based cash flows that drive its dividend payments. Moreover, its dividend-payout ratio is low and sustainable in the long term. I expect the recovery in energy demand, higher commodity prices, new growth projects, backlogs, and long-term contracts to support its cash flows and future dividends.

Furthermore, Pembina's valuation is cheaper than the pre-pandemic levels. Moreover, it trades at a discount to its peers.

## Add stability

While Enbridge and Pembina offer high and reliable yields, adding **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) stock to your portfolio will enhance stability and provide visibility over future dividend income.

Fortis's low-risk and diversified regulated assets generate predictable and growing cash flows that drive higher dividend payments. It raised dividends for 48 years in a row. Moreover, it projects 6% annual growth in its dividends through 2025.

Fortis's growing rate base, investments in infrastructure, strategic acquisitions, and opportunities in the renewable segment bodes well for growth and will drive its high-quality earnings base. Furthermore, Fortis offers a healthy yield of over 3.5%.

**Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)) is another reliable bet to add stability to your portfolio and generate growing passive income. Thanks to its high-quality earnings, Algonquin Power raised its dividend at a CAGR of 10% for more than a decade. Further, the projected double-digit growth in its rate base and long contracts indicate that Algonquin Power could boost its shareholders' returns through increased dividend payments.

Algonquin Power stock is trading cheap and offers a stellar dividend yield of 4.7%.

## Bottom line

The cumulative contribution limit in TFSA is \$81,500. Moreover, withdrawals from TFSA are tax-free. Also, on average, these four dividend stocks offer a yield of over 5.4%. Thus, an \$81,500 investment in these four stocks through your TFSA would generate a tax-free passive income of at least \$4,401 in 2022.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:ENB (Enbridge Inc.)
3. NYSE:FTS (Fortis Inc.)
4. NYSE:PBA (Pembina Pipeline Corporation)
5. TSX:AQN (Algonquin Power & Utilities Corp.)
6. TSX:ENB (Enbridge Inc.)
7. TSX:FTS (Fortis Inc.)
8. TSX:PPL (Pembina Pipeline Corporation)

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