



TFSA Passive Income: 3 Top Dividend Stocks to Beat Inflation

Description

High inflation looks set to continue above the Bank of Canada's target rate for some time. As a result, investors are searching for top TSX dividend stocks to buy in their [TFSAs](#) that will deliver higher returns than the rate of inflation.

Inflation in Canada

Statistics Canada says inflation was 4.72% in November, marking the second straight month at that level and registering its highest reading in the past 18 years.

Inflation is essentially the cost-of-living increase over the past 12 months on the average price of a specific basket of goods. Things like food, gasoline, furniture, shelter, clothes, recreation, and transportation are used in the calculation.

The Bank of Canada has a good [online inflation calculator](#) that shows the latest inflation rate based on the most recent available numbers from Statistics Canada.

Readers might think their personal expenses for common items are up by more than 4.7% in the past year. That's quite possible, depending on where you live and what kind of lifestyle you lead. At the very least, however, the odds are pretty good that you need on average 4.7% more money today than you needed a year ago to pay for the same stuff.

Unfortunately, most people's salaries have not increased that much in the past year.

Retirees who collect CPP, OAS, and defined benefit pensions at least get inflation-adjusted increases. People who rely on their own savings for income, however, need to find a way to get returns that match or exceed inflation.

Best TFSA investments to cover inflation

A [GIC](#) is a safe investment, but the best rate you are going to get today is about 2.5% and you have to lock in the funds for five years. As a result, income investors are turning to dividend stocks to boost returns.

Fortunately, a basket of top Canadian dividend stocks can meet the 4.7% goal.

BCE

BCE ([TSX:BCE](#))([NYSE:BCE](#)) has been a top income pick for decades, and that trend should continue. The company enjoys a dominant position in the oligopoly that is Canada's communications industry. Investments in new fibre optic lines and [5G](#) networks should drive steady revenue growth in the coming years.

BCE's dividend currently provides a 5.35% yield.

TC Energy

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) is a giant in the North American energy infrastructure [sector](#) with \$100 billion in assets that include more than 93,000 km of natural gas pipelines. The company also has oil pipelines and power-generation facilities.

TC Energy is working on \$22 billion in capital projects that will continue to drive revenue growth in the coming years. The board intends to raise the dividend annually by 3-5%.

The stock appears cheap right now near \$62.50 per share and offers a 5.6% dividend yield.

Enbridge

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is primarily an oil pipeline company, but it also has natural gas transmission, gas storage, natural gas utilities, and renewable power assets.

The business is an integral part of the Canadian and U.S. economies, moving 25% of the oil produced in the two countries and 20% of the natural gas used in the United States. Enbridge can grow through strategic acquisitions and internal projects.

Distributable cash flow is expected to grow steadily in the coming years to support the generous dividend. Investors who buy Enbridge stock near the current price of \$51.75 can get a 6.65% yield.

The bottom line on top stocks for TFSA passive income

TFSA investors focused on passive income can easily build a diversified basket of top TSX dividend stocks right now that would generate an average yield of at least 5%.

An equal investment in BCE, TC Energy, and Enbridge would provide an average dividend yield of better than 5.85% today.

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