



TFSA Passive Income: How to Earn \$4,000 Per Year Tax Free

Description

The [TFSA](#) offers retirees and other dividend investors a way to generate significant passive income that won't bump them into a higher tax bracket or put OAS pension payments at risk of a clawback.

Passive-income options

The safest way to get passive income in a TFSA is to buy a [GIC](#). The principal is 100% guaranteed, and you collect the rate of return the GIC offers. Unfortunately, the tradeoff for security is a low rate of return. In fact, the best rates on GICs offered in Canada right now don't even come close to matching the rate of inflation.

As a result, many income investors are using [dividend stocks](#) to get better returns. Owning shares comes with the risk that the stock's value might decrease. On the upside, most top dividend stocks increase their payouts nearly every year. This boosts the yield on the initial investment, and the share prices tend to move higher over the long haul.

The TFSA limit for 2022 is \$6,000. That brings the cumulative contribution space to a maximum of \$81,500 for residents who were at least 18 years old when the TFSA came into existence in 2009.

BCE

BCE ([TSX:BCE](#))([NYSE:BCE](#)) is a top dividend stock that offers an attractive yield and has very low risk of the distribution being reduced. The stock price also tends to hold up well when the broader market takes a hit, although it certainly isn't immune to pullbacks.

BCE is a leader in a lucrative market with few serious competitors. The company provides essential mobile and internet services and has a strong media business. BCE continues to make the investments needed to drive revenue growth and protect its competitive position. The expansion of the [5G](#) network is a good example.

BCE stock currently provides a 5.3% dividend yield.

TC Energy

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) is a leader in the North American energy infrastructure industry with more than \$100 billion in assets located in Canada, the United States, and Mexico.

The company's main focus is natural gas transmission and storage, but TC also operates power-generation facilities and oil pipelines. The firm is large enough to make strategic acquisitions to drive growth and has a \$22 billion capital program to boost revenue and cash flow over the the next five years.

TC Energy intends to raise the dividend by 3-5% per year over the medium term. The current payout provides a yield of 5.45%.

Natural gas has a positive future due to its much lower carbon dioxide emissions when burned compared to coal and oil. TC Energy's infrastructure and ongoing developments will enable the business to capitalize on growing global demand for North American natural gas in the coming years.

The bottom line on top stocks for passive income

BCE and TC Energy are just two examples of top TSX dividend stocks investors can buy to generate steady TFSA income. A balanced dividend portfolio can easily yield 5% today. This would give investors \$4,075 in annual tax-free passive income on \$81,500 in TFSA investments.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:TRP (Tc Energy)
3. TSX:BCE (BCE Inc.)
4. TSX:TRP (TC Energy Corporation)

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Author

aswalker

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