



How Retired Couples Can Earn an Extra \$8,150 Per Year in Tax-Free Passive Income

Description

Canadian pensioners can use their [TFSA](#) to generate a steady stream of reliable passive income that is tax free and won't put their OAS at risk of the CRA's pension recovery tax.

TFSA limit

The TFSA contribution limit for 2022 is \$6,000. This bumps up the total cumulative contribution space to \$81,500 per person. That means a retired couple would have as much as \$163,000 in TFSA room to earn tax-free passive income on their savings.

Many people like the safety of a [GIC](#) for their TFSA savings. GIC rates have improved over the past six months, and the upward trend is expected to continue, as the Bank of Canada begins to raise interest rates. That being said, the best rate offered on a GIC today is still well below the rate of inflation, which came in at 4.8% for December 2021.

Economists have mixed opinions about whether or not the run of high inflation in recent months is transitory. The longer price increases stay at the current level or move higher, the more likely it is that we will see high inflation last for the next few years.

As a result, retirees who rely on income from their savings need to find options that will at least provide returns that keep pace with inflation. Fortunately, a basket of quality Canadian [dividend](#) stocks can meet that goal.

Pembina Pipeline

Pembina Pipeline ([TSX:PPL](#))([NYSE:PBA](#)) is a key player in the midstream segment of the Canadian energy [sector](#). The company provides oil and gas producers with a wide range of services that include transmission, logistics, and gas gathering and processing. Pembina Pipeline also operates a propane export terminal and is evaluating a number of other growth opportunities that include liquified natural

gas (LNG) and carbon sequestration, among others.

The rebound in oil and natural gas prices bodes well for Pembina Pipeline in the next couple of years, as producers who are now flush with cash begin to increase drilling activity and raise production.

Pembina Pipeline has a 65-year history of steady growth. The company expects cash flow to exceed capital expenditures and dividend payments this year and will use the first \$200 million of extra cash to buy back stock.

The shares trade near \$40 right now compared to \$53 before the pandemic. Investors who buy at the current price can pick up a 6.3% dividend yield.

TC Energy

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) is another top energy infrastructure stock that looks [undervalued](#) right now and offers a great dividend. The company is working on \$22 billion in capital projects that management says will support dividend growth of 3-5% per year over the medium term.

The stock trades near \$64 per share at the time of writing and provides a 5.4% dividend yield.

The bottom line on top stocks for tax-free passive income

Retirees can put together a diversified portfolio of top TSX dividend stocks that would easily provide an average yield of 5% today.

For a retired couple with \$163,000 in TFSA space, this could generate \$8,150 per year in tax-free passive income that wouldn't trigger the OAS clawback.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. NYSE:TRP (Tc Energy)
3. TSX:PPL (Pembina Pipeline Corporation)
4. TSX:TRP (TC Energy Corporation)

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