



## Top Stocks for Passive Income: How to Earn \$366.75 Per Month Tax Free

### Description

Canadian pensioners and other investors focused on passive income have an opportunity to use their [TFSA](#) to hold top TSX [dividend stocks](#) that can generate a steady stream of tax-free earnings.

### TFSA limit

The TFSA limit increased by \$6,000 in 2022. This brings the cumulative maximum contribution space since the inception of the TFSA in 2009 to \$81,500. A retired couple would now have as much as \$163,000 in TFSA room to invest savings and earn reliable, tax-free income.

The great thing about the TFSA for seniors is the fact that the income generated on the investments does not get used by the CRA to determine a person's net world income. This is important for Canadians who collect Old Age Security (OAS) pensions, because the CRA implements a [pension recovery tax](#) on OAS payments once net world income tops a minimum threshold. The amount is \$81,761. Every dollar of net world income above that amount triggers a 15-cent OAS clawback. So, a person with \$91,761 in net world income in 2022 would see their OAS reduced by \$1,500 for the July 2023 to June 2024 OAS payment period.

That's a big hit that might be avoidable by earning investment income inside a TFSA instead of in taxable accounts.

The best investments for a TFSA depend on your risk tolerance and the level of income needed. A [GIC](#) protects the principal investment, but the return is low compared to what can be earned from top Canadian dividend stocks. Owning stocks, however, comes with the risk that the share price might drop. With this thought in mind, it makes sense to own stocks that have long track records of delivering good total returns driven by steadily rising dividend payments and capital gains.

### TC Energy

**TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)) is a big player in the North American energy infrastructure [sector](#)

with more than \$100 billion in assets located in Canada, the United States, and the Caribbean. The company is primarily focused on natural gas transmission and storage, but it also has power-generation facilities and oil pipelines.

The natural gas industry has a bright future, as countries are using the fuel to replace oil and coal to generate power while they ramp up investments in wind, solar, hydroelectric, and geothermal power production. As a result, the global liquified natural gas (LNG) market is expected to expand in the coming years. TC Energy has the infrastructure in place or under construction that connects Canadian and U.S. natural gas producers to the LNG facilities.

TC Energy has raised the dividend in each of the past 21 years and the board intends to increase the distribution by 3-5% per year over the medium term. A \$22 billion capital program is in place that will boost revenue and cash flow through 2025.

TC Energy stock appears [undervalued](#) at the current price near \$65 per share. The stock traded at \$75 before the pandemic. Investors who buy today can pick up a solid 5.4% dividend yield.

## The bottom line on top stocks to buy for TFSA passive income

TC Energy is just one example of a top TSX dividend stock that offers a high yield and a growing payout. Investors can quite easily build a diversified portfolio of quality dividend stocks that would provide an average yield of 5.4%. This would generate \$4,401 in tax-free annual dividends on a TFSA of \$81,500. That works out to \$366.75 per month!

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:TRP (Tc Energy)
2. TSX:TRP (TC Energy Corporation)

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**Date**

2025/08/27

**Date Created**

2022/01/27

**Author**

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