



## Passive Income: How Canadian Couples Could Earn \$7,335 Tax Free Every Year

### Description

Canadian retirees and other income investors are searching for ways to get the most passive income out of their savings without having to share a big chunk of the extra earnings with the CRA. This is particularly a challenge for people who receive salaries, company pensions, CPP, OAS, [RRIF](#) payments or take money out of their RRSP.

Fortunately, investors can take advantage of the large contribution space inside their [TFSA](#) to generate tax-free passive income.

### TFSA limit

The TFSA limit increased by \$6,000 in 2022. This brings the total maximum cumulative contribution room to \$81,500 per person for Canadian residents who were at least 18 years old in 2009 when the government launched the TFSA.

All interest, dividends, and capital gains generated inside the TFSA are tax free. The earnings that are removed from the TFSA do not get counted as income, so retirees who collect Old Age Security (OAS) pensions don't have to worry about the extra cash flow putting them at risk of the OAS pension recovery tax, often called the OAS clawback.

Any money removed from the TFSA opens up new contribution room in the same amount in the following calendar year.

### Best stocks for TFSA passive income

Investors who want to use the TFSA to generate steady income on their savings have a few options. They can go the safest route and buy a [GIC](#) that protects the principal investment, but current GIC rates don't even cover inflation.

Another option involves buying top [dividend stocks](#) that tend to raise their distributions steadily over

time. Let's take a look at **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) and **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)) to see why they might be good stocks to buy now for passive income.

## Fortis

Fortis is a Canadian utility company with \$57 billion in assets located in Canada, the United States, and the Caribbean. Roughly 99% of the revenue comes from regulated assets. This means cash flow should be reliable and predictable.

Fortis grows through acquisitions and by investing in new development projects. The current \$20 billion capital program is expected to increase the rate base by about a third through 2026. Fortis is providing guidance for average annual dividend growth of 6%. The board raised the payout in each of the past 48 years.

At the time of writing, the stock provides a 3.6% dividend yield.

## TC Energy

TC Energy owns and operates 93,000 km of natural gas pipeline and gas storage infrastructure in Canada, the United States, and Mexico. The company also has power-generation facilities and oil pipelines.

The board has increased the dividend annually for more than two decades and intends to boost the payout by 3-5% per year over the medium term. Revenue and cash flow growth should come from the \$22 billion capital program and steady demand growth for the company's services due to the rebound in oil and gas markets.

The stock currently offers a 5.4% dividend yield.

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

Fortis and TC Energy are good examples of top dividend stocks that pay attractive and growing distributions. An equal investment between the two stocks would generate an average yield of 4.5%. TFSA investors can easily build a balanced portfolio that would provide an average yield of at least this amount. The 4.5% return on an \$81,500 TFSA would produce \$3,667.50 per year in tax-free passive income.

A retired couple could get \$7,335.00 in annual tax-free income and not worry about putting their OAS at risk of a clawback.

### CATEGORY

1. Dividend Stocks
2. Investing

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aswalker

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