



## TFSA Passive Income: How to Make \$300 a Month Tax Free

### Description

A key selling point of the [Tax-Free Savings Account](#) (TFSA) is its flexibility. Regardless of whether you're saving for retirement or building a passive-income stream, a TFSA could be the right savings account for you.

Due to the tax-free withdrawals, the TFSA offers Canadians flexibility when saving. Withdrawals can be made at any point in time, without needing to pay any tax at all. But what really makes the TFSA stand out for me is the tax-free capital growth. Investment gains and passive income generated within a TFSA can grow completely tax free.

As a result of not needing to pay any tax on gains earned through [dividends](#), a TFSA is an excellent choice for passive income investors.

### Generating passive income in a TFSA

Let's look at some real-life examples. I'll review how [Canadian investors](#) can build a passive-income stream that equates to earning more than \$300 a month.

The TFSA contribution limit in 2022 is \$6,000. But the total contribution limit dating back to 2009 is \$81,500. Now, let's assume that your TFSA is maxed out right now with \$81,500 invested in dividend stocks yielding 4.5%. That would generate close to \$4,000 a year in passive income, which is good enough for more than \$300 a month.

To get you started, I've reviewed two top dividend stocks that together yield more than 4.5%. If you're looking to build a dependable passive-income stream this year, these two companies should be at the top of your watch list.

### Dividend stock #1: Bank of Nova Scotia

Passive-income investors that prioritize dependability will want to own shares of this Canadian bank.

**Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) has been paying a dividend to its shareholders for close to 200 consecutive years. On top of that, management has grown the dividend in 43 of the past 45 years. There aren't many dividend stocks on the [TSX](#) that come anywhere near a track record like that.

At today's stock price, Scotiabank's annual dividend of \$4.00 per share yields just shy of 4.5%. That's certainly not the highest-yield passive income investors can find on the TSX right now. But when you factor in the payout streak and dividend-growth track record, this bank is one of the top dividend stocks passive-income investors can own.

## Dividend stock #2: Manulife

**Manulife** ([TSX:MFC](#))([NYSE:MFC](#)) may not be able to match Scotiabank's payout streak, but its yield sure can. The company's dividend is currently yielding upwards of 5%.

As the largest insurance provider in Canada, Manulife is another dependable pick for passive-income investors. The insurance space is far from the [fastest-growing](#) area of the market, but it's one that I anticipate being around for many more years.

## Foolish bottom line

Passive-income investing isn't always the most exciting. It's about owning shares of dependable companies with attractive yields. These two companies that I've reviewed definitely check off both of those boxes.

If you're planning on only owning dividend stocks within your TFSA, I'd strongly encourage you to eventually broaden out and own more than just two companies. But if you're looking for a place to start, Bank of Nova Scotia and Manulife are two excellent choices.

### CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:MFC (Manulife Financial Corporation)

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