



## 1 Top Dividend Stock to Earn Tax-Free Income for Life

### Description

The Tax-Free Savings Account (TFSA) is not just for saving. In fact, your TFSA can be so much more if you buy quality dividend stocks that increase their dividends. By buying a basket of solid dividend stocks, you can more smoothly transition into your retirement when the time is ripe. Actually, the tax-free income generation is super helpful, even before you retire.

If you need some extra cash for an emergency, you can withdraw from your TFSA as a last resort. However, if you don't need the dividend income, you can keep it inside your TFSA to reinvest for more tax-free income. Ideally, it's better to keep reinvesting to let the tax-free compounding magic continue.

One top dividend stock to earn tax-free income for life is **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)). The company owns and operates a globally diversified portfolio of long-life assets that generate sustainable and growing cash flows. It has quality infrastructure assets across North and South America, Europe, and Asia Pacific. Its assets are also diversified across different industries: rail, toll roads, terminals, midstream, data transmission and distribution, regulated transmission, etc.

### Rising inflation is a non-issue for Brookfield Infrastructure

The recent development in rising inflation has many Canadian consumers concerned about the spike in prices in a basket of goods for normal consumer spending. Investors can more than keep pace with the long-term rate of inflation with solid dividend-growth stocks. In the case of Brookfield Infrastructure, it currently offers a yield of 3.4%.

Although as a utility, BIP has high levels of debt, the business also benefits from the recent elevated inflation. About 70% of its funds from operations (FFO) are indexed to inflation. So, the majority of its businesses benefit from the current high-inflationary environment.

### Get safe and growing tax-free dividend income

Brookfield Infrastructure has increased its cash distribution for more than a decade. Its business model is foolproof such that it's entirely possible that it can lead the kind of dividend-growth streak that Fortis has (close to half a century of dividend increases). This makes BIP the perfect buy-and-hold-forever [dividend stock](#) to generate safe and growing tax-free dividend income in a TFSA.

The dividend stock's 10-year dividend-growth rate is 9.9%. Going forward, management is dedicated to a dividend growth rate of 5-9% per year. Its 2021 payout ratio was 73%. So, in the near term, it'll probably increase its cash distribution in the 5-7% range.

## Industry-beating total returns

Other than earning stable returns from Brookfield Infrastructure's quarterly cash distribution, the business also experiences growth. I already mentioned the inflationary impact on boosting its cash flow. BIP is also a value investor. It has an ongoing capital-recycling plan to capitalize on mature assets and redeploy the proceeds for better risk-adjusted returns. Furthermore, it has the operational expertise to improve its assets, including the ones it acquires. Combining all its competitive advantages, BIP has outperformed its peers since its inception and in the one- and five-year periods.

## The Foolish investor takeaway

Investors who bought BIP shares about 10 years ago would be sitting on a yield on cost of about 12%! In other words, they would be earning returns of more than 12% on their original investment no matter what the stock price does, as long as they don't sell their quality shares. BIP is one top dividend stock to earn tax-free Income for life in your [TFSA](#). So, buy the stock at reasonable valuations, back up the truck in market corrections, and never sell for growing passive income!

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)

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