



## TFSA Passive Income: How to Earn an Extra \$373.50 Per Month Tax Free!

### Description

Canadian savers are taking advantage of their [TFSA](#) contribution space to build portfolios of top TSX dividend stocks that can generate steady tax-free income for years.

### TFSA advantage

The government created the TFSA in 2009 to give people a savings vehicle to complement the [RRSP](#). Since inception, the TFSA contribution limit has grown steadily, and investors now have a maximum of \$81,500 in contribution space. That's large enough to build a meaningful passive income fund that can pay out attractive earnings for decades.

The TFSA is a great savings tool for people in all stages of their careers. Young investors like the flexibility the TFSA provides in enabling access to the funds without a penalty in the event the cash is needed at short notice. Retirees use the TFSA to generate tax-free income that won't be counted by the CRA to determine potential OAS clawbacks.

What are the best TFSA investments?

GIC rates are finally moving higher, but they still trail inflation by a wide spread and are not as high as the yields on some top dividend stocks with strong track records of annual distribution growth.

### BCE

**BCE** ([TSX:BCE](#))([NYSE:BCE](#)) has been a top pick among seniors for decades, and the stock remains a good choice as an anchor pick for a portfolio focused on passive income. BCE is the largest player in the Canadian communications sector. The company generates solid free cash flow to support the distribution and can make the billions of dollars of investments needed each year to upgrade its network infrastructure to ensure it offers world-class wireless and wireline services to its residential and business clients.

BCE is expanding its [5G](#) network and is rolling out fibre optic lines right to the premises of its customers. These initiatives will drive new revenue opportunities in the coming years. BCE has the power to raise prices when it needs extra cash and enjoys a wide competitive moat.

The board raised the dividend by 5.1% for 2022. Investors who buy BCE stock at the time of writing can pick up a 5.4% dividend yield.

## Enbridge

**Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) is a leader in the North American energy infrastructure industry. The company transports 25% of the oil produced in the U.S. and Canada and moves 20% of the natural gas used by Americans. The rebound in the energy sector over the past year shows that global oil and gas consumption remains strong and producers in Canada and the United States are seeing increased demand due to sanctions being placed on Russia.

This all bodes well for Enbridge's pipeline and storage businesses. The company also has natural gas distribution utilities and a growing renewable energy group.

Earnings bounced back in 2021 and distributable cash flow is set to grow steadily in the next few years. Investors should see ongoing annual dividend increases in the 3-5% range over the medium term.

At the time of writing, the stock provides a 6% dividend yield.

## The bottom line on earning tax-free passive income

An investment split between BCE and Enbridge would generate an average yield of 5.7% today. It is quite easy to build a diversified TFSA portfolio of top TSX dividend stocks that would provide a combined yield of 5.5% right now. On a TFSA portfolio worth \$81,500, this would create an annual tax-free income stream of \$4,482.50. That's more than \$373.50 per month!

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:ENB (Enbridge Inc.)

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