



TFSA Investors: 2 Dividend Stocks to Earn Tax-Free Passive Income

Description

The **S&P/TSX Composite Index** is near new all-time highs, despite higher commodity prices, an ongoing war between Russia and Ukraine, and interest rate hikes introduced by the Bank of Canada (BoC). The possibility of a downturn due to market volatility is on the cards, and that could affect your investment returns.

Creating another income stream is a reasonable thing to do during these uncertain times. The [Tax-Free Savings Account](#) (TFSA) is a viable investment vehicle that you could consider for this purpose. Using the available contribution room in your TFSA to create a [passive-income stream](#) could provide you with tax-free income.

It is safe to say that Canadians could use any help they can get to help pay their bills amid all the chaos. Today, I will discuss two TSX dividend stocks that you can buy and hold in a TFSA to earn tax-free passive income.

Suncor Energy

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) is a \$58.92 billion market capitalization integrated energy company headquartered in Calgary. The company specializes in producing synthetic crude oil from oil sands, and it is one of Canada's biggest energy companies. Its integrated structure means that it also boasts refineries that turn crude oil into fuel, allowing the company to sell it through retail locations to end consumers.

Suncor Energy was a Canadian Dividend Aristocrat until it slashed its dividends by 55% in 2020, anticipating economic challenges due to the pandemic. The energy sector rebound in 2021 bolstered its profit margins, allowing the company to start a share-buyback program, reduce its debt, and raise its dividend payout back to its pre-pandemic levels.

Suncor Energy stock trades for \$41.02 per share at writing, and it boasts a 4.10% dividend yield. Investing in its shares could help you enjoy tax-free wealth growth through long-term capital gains and dividend income.

TC Energy

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) is a \$70.63 billion energy infrastructure company headquartered in Calgary. The energy infrastructure giant primarily focuses on natural gas transmission and storage, but it also has power generation and oil pipeline assets. The natural gas business for TC Energy has been doing well, and it should continue to deliver strong growth for the company in the coming years.

Many power-generation companies are shifting to natural gas from coal to meet ESG goals. Natural gas transmission services are also essential because it is the primary fuel used by millions of households and businesses to generate heat. Growing demand for natural gas positions TC Energy well in terms of boosting its revenues in the foreseeable future.

TC Energy stock trades for \$72.01 per share at writing, and it boasts a juicy 5.00% dividend yield.

Foolish takeaway

Allocating a portion of your TFSA contribution room to create a passive-income stream can do more than offer you additional money for your monthly expenses. You could consider reinvesting the shareholder dividends you earn through a dividend-reinvestment plan when you don't need to supplement your active income.

Reinvesting the cash to purchase more shares of the dividend stocks can help you grow your passive income without impacting your contribution room. Unlocking the power of compounding in your TFSA could help you accelerate your wealth growth in the long run and create a more [secure financial future](#) for yourself.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:TRP (Tc Energy)
3. TSX:SU (Suncor Energy Inc.)
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