



TFSA Pension: How Retired Couples Can Get \$597 Tax Free Every Month

Description

The [TFSA](#) is a great tool to help Canadian retirees generate steady tax-free income from their savings. [GIC](#) rates are finally moving up, but top dividend-growth stocks still deserve to hold anchor positions in a portfolio focused on passive income.

TFSA limit

The TFSA contribution limit is \$6,000 for 2022. This brings the total maximum cumulative space to \$81,500. A retired couple would have as much as \$163,000 in TFSA contribution room today to generate tax-free income.

This is particularly important for seniors who collect Old Age Security (OAS) pensions. The earnings generated inside the TFSA and taken out to spend are not used by the CRA to calculate net world income when determining the OAS pension recovery tax. The CRA claws back 15 cents of OAS payments for every dollar of net world income above a minimum threshold. The number to watch in the 2022 income year is \$81,761.

Top TFSA dividend stocks

The best stocks to own for passive income tend to be ones that pay attractive dividends that increase at a steady pace. Fortunately, the **TSX Index** is home to many top dividend stocks that can generate attractive returns.

TD Bank

TD ([TSX:TD](#))([NYSE:TD](#)) reported adjusted net income of \$3.83 billion in fiscal Q1 2022 compared to \$3.38 billion in the same period last year. That's pretty good for three months of work.

The bank is best known for its retail banking operations in Canada, but TD has built a large U.S.

business over the past two decades and recently announced a significant acquisition that should drive strong growth in the coming years.

TD is buying First Horizon in the United States for US\$13.4 billion. The deal adds more than 400 branches serving 1.1 million customers across 12 states. TD estimates the deal will be at least 10% accretive to 2023 adjusted earnings per share.

TD increased its dividend by 13% for fiscal 2022. The bank's long-term compound annual dividend-growth rate is above 10%. Investors who buy the stock at the current price of \$94 per share can pick up a 3.8% dividend yield.

The stock is down from the 2022 high of \$109, giving investors a chance to buy TD on a nice dip.

BCE

BCE ([TSX:BCE](#))([NYSE:BCE](#)) is a long-time favourite among retirees for its generous and reliable dividend. The stock has also delivered some attractive total returns.

BCE continues to invest the funds needed to ensure it protects its wide competitive moat. The company plans to connect 900,000 customers with fibre optic lines this year and is expanding its [5G](#) network. These initiatives should drive steady revenue growth in the coming years.

BCE's media business took a hit during the worst of the pandemic, but the group should deliver solid results in 2022, as businesses advertise more across the digital, TV, and radio assets. The sports teams are also now playing in front of full crowds.

The board raised the dividend by 5% for 2022. BCE is targeting free cash flow of 2-10% this year, so another dividend hike in the 5% range could be on the way for 2023.

Investors who buy the stock at the time of writing can pick up a 5% yield.

The bottom line on TFSA passive income

An investment split between TD and BCE would generate an average dividend yield of 4.4%. That's above the best GIC rates available right now, and it would be easy to put together a balanced portfolio of top TSX dividend stocks that would generate an average yield at this level. For a retired couple with \$163,000 in TFSA investments this would generate \$7,172 per year in tax-free income. That's more than \$597 per month!

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)

3. TSX:BCE (BCE Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

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