



## TFSA Investors: 3 TSX Stocks for Tax-Free Passive Income

### Description

The capital gains, interests, and dividends generated within your TFSA are not taxed. Thus, the TFSA emerges as a solid tool for investors to generate tax-free passive income. Investors seeking reliable passive income should use the [TFSA route](#) to invest in high-quality dividend stocks for regular tax-free income.

While there are several top-quality dividend stocks, let's look at a few with solid histories of consistently paying and growing their dividends. Also, these Canadian corporations have the strong potential to hike their future dividends at a decent pace.

### AltaGas

TFSA investors could consider adding **AltaGas** ([TSX:ALA](#)) stock to their portfolio for a reliable income stream. AltaGas's strong portfolio of regulated and midstream assets offers stability and growth, thus helping the company to enhance its shareholders' returns through higher dividend payments.

AltaGas raised its 2022 dividend by 6%. Furthermore, it expects to grow its future dividend by a CAGR of 5-7% over the next five years. AltaGas's dividend-growth target appears achievable given the continued growth in its rate base and strong export volumes.

AltaGas sees its rate base to grow at an annualized rate of 8-10% through 2026, which will expand its high-quality earnings base in the regulated business and support higher dividend payments. Moreover, it projects a 10% growth in export volumes per annum, which will drive its midstream operations. Its strong fundamentals, visibility over earnings and dividend growth, and a yield of 3.6% make it a solid investment to generate a tax-free passive income.

### Fortis

Utility companies are among the most dependable investments to generate a reliable dividend income due to their rate-regulated business and ability to generate steady cash flows. TFSA investors could

consider adding **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) to their portfolios within the utility sector.

While there are multiple reasons why Fortis is a must-have stock for income investors, one among them is its stellar history of dividend payments. For instance, Fortis paid and increased its dividend for 48 years. Its conservative business model and consistent rate base growth drive its payouts.

It projects about 6% annualized growth in its dividend through 2025. Fortis can easily achieve this target given its strong capital plan, which will expand its rate base from \$31.1 billion in 2021 to \$41.6 billion in 2026.

Overall, its regulated and low-risk business, solid dividend-growth history, strong visibility over future dividend growth, and well-protected yield of 3.4% support my bullish view.

## TC Energy

**TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)) is another solid stock worth investing in for passive income. Its contracted and regulated assets account for most of its earnings, implying that its payouts are safe and sustainable in the long term.

It's worth mentioning that this energy infrastructure company's dividend grew at a CAGR of 7% in the last 22 years. Meanwhile, it sees about 3-5% annual growth in its future dividend. Also, the company is confident of funding its dividend and capital growth program through the cash generated internally, which is positive and reflects the strength of its business.

TC Energy's \$24 billion secured capital program and focus on cost savings will cushion its earnings and dividend payments. Moreover, additional sanctioned projects and energy transition opportunities augur well for growth. TC Energy stock offers a solid yield of 4.9%.

### CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:FTS (Fortis Inc.)
2. NYSE:TRP (Tc Energy)
3. TSX:ALA (AltaGas Ltd.)
4. TSX:FTS (Fortis Inc.)
5. TSX:TRP (TC Energy Corporation)

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