



Tax-Free Retirement Income: How to Get \$360 Per Month From a TFSA

Description

Canadian retirees and other investors seeking passive income can take advantage of their TFSA contribution space to buy top TSX [dividend stocks](#) that will generate steady tax-free earnings.

TFSA benefits

The TFSA contribution limit for 2022 is \$6,000. This brings the maximum cumulative TFSA contribution space per person to \$81,500. That's large enough to build a significant portfolio of dividend-growth stocks to provide reliable tax-free income.

The big benefit for pensioners who receive OAS is the fact that the CRA does not count TFSA earnings when calculating net world income to determine the OAS pension recover tax, otherwise known as the OAS clawback.

Good stocks to own tend to have long track records of dividend growth.

Enbridge

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) has been a top pick among retirees for decades, and the stock still looks attractive.

Oil and natural gas prices continue to rise after the drubbing they took in the early part of the pandemic. Supply shortages combined with sanctions against Russia are driving energy prices to multi-year highs, and there is no indication of near-term solutions to stabilize the market.

North American oil and gas producers in particular are seeing strong domestic and international demand. Europe is trying to replace Russian oil and natural gas with reliable other suppliers. Liquefied natural gas (LNG) exports from the United States are expected to surge. Enbridge recently announced plans to build additional pipelines to bring gas to new LNG facilities. The company also bought a strategic oil export platform last year for US\$3 billion as part of its plan to ship more oil to global

markets.

Enbridge transports 30% of the oil produced in the United States and Canada and 20% of the natural gas used by American homes and businesses. The company also has natural gas distribution utilities that provide fuel to roughly three million Canadian customers. A growing renewable energy portfolio of solar, wind, and geothermal assets rounds out the revenue stream.

Enbridge raised the dividend in each of the past 27 years. At the time of writing, the stock provides a 5.8% dividend yield.

Bank of Nova Scotia

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) recently reported strong fiscal Q2 2022 results and raised the dividend by 3%. This comes after a solid fiscal 2021 performance and the 11% dividend hike that the board announced late last year.

Bank of Nova Scotia is ramping up the size of its share-buyback plan with a 50% increase to 36 million shares over a 12-month period. The deployment of funds comes from the large cash hoard the bank built up during the pandemic to cover potential loan losses.

Bank of Nova Scotia's international business in Latin America continues to recover from the pandemic hit and offers strong growth potential in the coming years, as middle-class wealth expands and demand rises for loans and investment products.

The stock appears [undervalued](#) today and provides a 4.8% dividend yield.

The bottom line on TFSA passive income

An equal investment in Enbridge and Bank of Nova Scotia would provide an average yield of 5.3% today. Canadian investors can easily build a diversified TFSA of top dividend stocks that would provide a return at this level. In a portfolio of \$81,500 this would generate \$4,319.50 per year, or roughly \$360 per month in tax-free income!

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1. Investing

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2. NYSE:ENB (Enbridge Inc.)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:ENB (Enbridge Inc.)

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