TSX Dividend Stocks: How to Earn $343/Month Tax Free for Life

Description

The best part about stocks is that investors can earn steady income, even amid a market correction. Here, I am pointing to dividend-paying companies that consistently pay and grow their dividends, irrespective of market conditions.

Fortunately, there are a few top-quality Canadian companies that have paid and raised their dividends in all market conditions. Investing in those TSX-listed companies via your TFSA (as capital gains, interests, and dividends are not taxed in a TFSA) would help generate tax-free dividend income.

With that background, let's look at some top TSX dividend stocks that can help you earn tax-free income for decades.

Enbridge

Canadian energy stocks are known for their solid dividend payment history. **Enbridge** (TSX:ENB)(NYSE:ENB) is one of the most reliable names in the energy sector. This energy infrastructure company's solid track record of dividend payment and growth and high yield make it a perfect stock for investors to generate regular income amid all market conditions.

It's worth mentioning that the COVID-19 pandemic weighed on the operations of energy companies. The pandemic wiped out demand and lowered commodity prices, leading several energy companies to cut their payouts. However, Enbridge continuously paid and increased its dividend, despite challenges, which is positive.

Notably, it has been paying a dividend for 67 years. Moreover, it raised it for 27 consecutive years at a CAGR of 10%, which is encouraging. Furthermore, Enbridge offers a high and well-protected dividend yield of 6.4%.

While Enbridge's past performance has been impressive, its future looks bright, too. The strong energy demand, higher commodity prices, and its multi-billion secured capital program indicate that Enbridge could continue to enhance its shareholders' value through higher dividend payments.

Enbridge's diversified cash flow streams, contractual arrangements, inflation-protected EBITDA, expansion of renewables capacity, and productivity will likely drive its distributable cash flows and dividend payouts. It projects 5-7% growth in its distributable cash flows in the coming years, which indicates that its dividend will likely have similar growth in the future.

Fortis

Like Enbridge, there are multiple reasons why owning a **Fortis** (TSX:FTS)(NYSE:FTS) stock in your TFSA portfolio could help you earn regular tax-free income for decades. Its robust dividend-growth history, visibility over future payouts, low-risk business supported by rate-regulated assets, and solid capital program are why Fortis is a must-have dividend stock.

It operates 10 utility businesses that count for 99% of its earnings. Its high-quality and resilient assets keep Fortis stock stable amid wild market swings. Moreover, it helps generate solid cash flows that drive higher dividend payments.

It has increased dividend in the past 48 years. Moreover, it projects a 6% annual growth in its future dividend through 2025. Also, it offers a reliable yield of 3.7%.

Fortis's solid capital program will likely support its rate base growth, which will boost its payouts. The company expects a $10.5 billion increase in its rate base over the next five years, which would expand its earnings base and drive future dividends.

Bottom line

On average, these two Dividend Aristocrats offer a reliable dividend yield of 5.1%. Thus, by investing $81,500 (cumulative TFSA investment limit) in these stocks, investors can earn a tax-free income of $4,116 a year, or $343 per month.

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