



TFSA Pension: How Retired Couples Can Get an Extra \$815 Per Month in Tax-Free Passive Income

Description

The pullback in the stock market is giving retirees a chance to buy top TSX [dividend stocks](#) at discounted prices for TFSA portfolios focused on generating tax-free passive income.

TFSA overview

The government set up the TFSA in 2009 as a new vehicle to help Canadians build savings for future goals. The TFSA limit increases each year with the maximum contribution space per person now at \$81,500. This means a retired couple would have as much as \$163,000 in contribution room in 2022.

All investors benefit from the tax-free nature of the TFSA, but people who receive Old Age Security (OAS) pensions should take full advantage of the contribution room to generate income. All interest, dividends and capital gains earned inside the TFSA can go straight into your pocket. The CRA doesn't take a cut and won't include the earnings as part of the net world income calculation used to determine the OAS pension recovery tax, also called the OAS clawback.

High-yield stocks with growing payouts are now on sale for investors who want to create a TFSA income portfolio.

BCE

BCE ([TSX:BCE](#))([NYSE:BCE](#)) is Canada's largest communications company with a [market capitalization](#) of \$57 billion. The business generates steady revenue and free cash flow to support the generous dividend that retirees and other income investors have relied on for decades.

BCE continues to make the investments needed to drive revenue growth while protecting its wide competitive moat. The company is running high-speed fibre optic lines to the buildings of another 900,000 customers in 2022. BCE is also expanding its [5G](#) mobile network. These initiatives eat up a lot of capital, but BCE still has extra cash available for dividend growth.

Free cash flow is expected to increase by 2-10% in 2022. This should support another dividend increase in the 5% range for 2023. Investors who buy the stock at the current price near \$62.50 can pick up a 5.9% dividend yield.

Great-West Lifeco

Great-West Lifeco ([TSX:GWO](#)) is a Winnipeg-based insurance, wealth management, and asset management company with subsidiaries that primarily operate in Canada, the United States, and Europe. The stock is down to \$31 at the time of writing from the 2022 high of \$41.50. Financial stocks have taken a hit in recent months amid recession fears, but the pullback appears overdone and GWO stock now looks undervalued.

The wealth management businesses might take a hit in the current quarter as a result of the selloff in equity markets, but the insurance businesses stand to benefit from rising interest rates over the coming months and years. Cash set aside to cover potential claims has earned next to nothing during the era of low interest rates, but that is rapidly changing with the Bank of Canada and the U.S. Federal Reserve hiking rates to fight inflation.

Investors who buy the stock at the current price can get a solid 6.3% dividend yield.

The bottom line on top stocks for TFSA passive income

BCE and Great-West Lifeco are just two examples of top TSX dividend stocks that now trade at cheap prices and offer above-average yields. Retirees can quite easily put together a balanced portfolio of stocks that generate an average yield of 6% today. This would give a retired couple a total of \$9,780 per year on combined TFSA investments of \$163,000. That's \$815 per month in tax-free income!

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)
3. TSX:GWO (Great-West Lifeco Inc.)

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Date

2025/07/07

Date Created

2022/06/24

Author

aswalker

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