TFSA Passive Income: 2 Top Dividend Stocks to Buy Today and Never Sell

Description

It's no secret that there's plenty of uncertainty in the market today. Whether it's due to interest rates, inflation, or geopolitical concerns, investors are anxiously trying to figure out what it means for their investments in the stock market.

In the short term, unfortunately, there's no good answer. It's anybody's guess as to how the broader stock market will be performing in the coming months.

But while it may not seem like an opportunistic time to be investing, the market's uncertainty is not necessarily a reason to be sitting on the sidelines. There are several ways in which investors can help brace their portfolios for upcoming volatility.

Building a tax-free stream of passive income

An extra source of income is one way to help ease the pain of market instability. I'm not suggesting going out and looking for a part-time job. In fact, it may be much easier than you think to build a passive-income stream. On top of that, it's possible to earn that money completely tax free.

Dividend stocks are an excellent way to earn passive income. The **TSX** is full of dependable dividend-paying companies to choose from. Many of which are also trading at opportunistic discounts right now.

Whether or not you pay tax depends on where you're investing in the dividend stocks. All passive income generated from dividend stocks held within a Tax-Free Savings Account (TFSA) is earned tax free. The catch is that the TFSA has a contribution limit, so there's only so much you could earn from tax-free dividend gains.

For anyone aged 18 or older in 2009, the total TFSA contribution room is $81,500. Let's assume that a maxed-out TFSA was invested in a dividend stock yielding 4% annually, which I'll add is not overly difficult to find on the TSX right now. That $81,500 would pay out more than $3,000 a year in tax-free passive income.

Dividend stock #1: Bank of Montreal

The big banks are a perfect place to start for anyone planning on investing in dividend stocks. The Big Five all yield upwards of 4% today, two of which are above 5.5%.

In addition to top yields, the Canadian banks are also among the leaders in terms of dependability, which should be top of mind when searching for dividend stocks to invest in.

At a yield of 4.6%, **Bank of Montreal** (TSX:BMO)(NYSE:BMO) isn't the highest yielding of the Big Five. It does, however, own a payout streak spanning nearly two centuries.

That's the exact type of dividend stock that I'd be looking to invest in ahead of potentially turbulent market conditions.

Dividend stock #2: Fortis

The main reason for investing in a dividend stock is undoubtedly passive income. However, there's more to look at than just the yield when choosing which dividend stock to invest in. Dividend-paying companies can provide additional benefits to an investment portfolio.

What **Fortis** (TSX:FTS)(NYSE:FTS) lacks in its dividend yield it more than makes up for in defensiveness. While a 3.5% yield is nothing to sneeze at, there are plenty of options for higher-yielding companies to choose from. However, not many can match the defensiveness that the utility stock can provide a portfolio.

The dependability of utility companies stems from their steady performance regardless of macroeconomic conditions. They may underperform in bull markets, but you'll be glad to own them in bear markets like these.

If your portfolio skews towards high-risk growth stocks, owning a steady dividend stock like Fortis would be a wise idea.

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