TFSA Passive Income: 1 Top TSX Dividend Stock for New Pensioners

Description

The market correction is giving retirees a chance to buy top TSX dividend stocks at undervalued prices for TFSA portfolios focused on passive income. New pensioners can take advantage of the TFSA to earn tax-free income that won't trigger a clawback of Old Age Security (OAS) pension payments.

OAS pension recovery tax

The CRA implements the OAS pension recovery tax, which is widely called the OAS clawback, when net world income tops a minimum threshold. The number to watch in the 2022 income year is $81,761. Every dollar in income earned above that amount would trigger a 15 cent reduction in OAS payments for the July 2023 to June 2024 OAS payment period.

Earnings of $82,000 sounds like a lot, but it doesn't take long for a person who receives a decent company pension, CPP, OAS, and maybe RRIF or investment income to hit that level. In the current environment of high inflation, pensioners need to keep as much of their earnings as possible in their pockets.

One way to minimize being bumped into a higher tax bracket and to avoid or reduce the OAS clawback is to hold income investments in a TFSA rather than in a taxable account. The maximum cumulative TFSA contribution space for retirees in 2022 is $81,500.

Top investments of a TFSA?

GIC rates are getting more attractive as interest rates rise. Investors can also find good deals right now on great TSX dividend stocks that offer growing payouts and above-average dividend yields.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) trades near $56.50 at the time of writing compared to $59.50 in early June. The dip appears overdone, and investors can pick up a solid 6% dividend yield with decent dividend growth anticipated in the coming years.

Enbridge doesn't produce oil or natural gas; it simply transports or distributes the commodities to storage facilities and refineries. In the case of its natural gas utilities, Enbridge delivers straight to the buildings of commercial and residential customers. Oil and natural gas price fluctuations have a limited direct impact on the company's revenue stream. Enbridge simply charges a fee for moving the products. As long as demand is strong for the services, revenue should roll in as projected.

Enbridge is making new investments to take advantage of emerging trends. The company spent US$3 billion last year on an oil export terminal in the United States. Enbridge is also building new natural gas pipelines to run fuel to liquified natural gas (LNG) facilities on the U.S. Gulf Coast. In Canada, Enbridge has hydrogen and carbon-capture projects on the go that will help clients reduce emissions.

Enbridge raised the dividend in each of the past 27 years. The board increased the payout by 3% for 2022. Distributable cash flow is expected to grow by 5-7% per year over the medium term, so the payout hikes should continue.

The bottom line on top TSX stocks for passive income

Retirees seeking tax-free income can use their TFSA to hold great Canadian dividend stocks. Enbridge is just one example of a solid pick for a diversified portfolio focused on passive income. The TSX Index is home to many high-quality dividend stocks that now appear undervalued and offer yields in the 5-6% range.

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