



## TFSA Passive Income: How to Earn \$397 per Month Tax-Free for 40 Years

### Description

Canadian TFSA investors seeking steady passive income are on the hunt for top [TSX](#) dividend stocks to buy for their [retirement](#) portfolios. The 2022 [market correction](#) provides an opportunity to buy some great Canadian dividend stocks at cheap prices.

### TFSA 101

The government created the TFSA in 2009 to give Canadian residents an extra vehicle to build up savings. TFSA contribution limits increase each year with the maximum cumulative space now at \$81,500 per person. That's adequate to build a significant portfolio of dividend stocks that can provide reliable and growing passive income.

All interest, dividends, and capital gains generated inside the TFSA remain tax-free. This means dividend investors can put the full value of the distributions right in their pockets and the amount withdrawn opens up new TFSA contribution space in the following calendar year.

TFSA's focused on passive income can now choose among a number of high-yield dividend stocks that look cheap to buy.

### Enbridge

**Enbridge** ([TSX:ENB](#)) ([NYSE:ENB](#)) trades for less than \$56 per share at the time of writing compared to \$59 earlier this year. The pullback offers investors a chance to buy ENB stock on a dip and lock in a 6.2% dividend yield.

Enbridge has raised the dividend in each of the past 27 years and investors should see steady dividend growth continue as new assets boost revenue and distributable cash flow. Enbridge is working on a \$13 billion capital program and has the financial clout to make strategic acquisitions.

The rebound in the oil and natural gas industry is projected to continue for several years. Demand for

Canadian and American energy, in particular, is expected to be strong. Europe is trying to secure supplies to end its reliance on Russia and other countries are seeking reliable sources of liquified natural gas (LNG) as they shift from coal to produce electricity.

Enbridge bought an oil export terminal in Texas for US\$3 billion last year and is building new natural gas pipelines to supply LNG facilities on the American Gulf Coast. In Canada, Enbridge is taking a 30% stake in the Woodfibre LNG project in British Columbia and is expanding its natural gas pipeline system in the province.

## Manulife

**Manulife** ([TSX:MFC](#)) ([NYSE:MFC](#)) operates insurance, wealth management, and asset management businesses in Canada, the United States, and Asia. The company generated record earnings of \$7.1 billion in 2021 and raise its dividend by 18% for 2022.

Higher morbidity and mortality claims in the first part of the year due to the Omicron surge have combined with the correction in equity markets in Q2 to put pressure on revenue and earnings, but these are temporary setbacks and the resulting drop in the stock price looks overdone. Manulife trades near \$24 at the time of writing compared to the 2022 high of \$28.

Rising interest rates should drive up returns on the cash insurance businesses need to set aside to cover potential claims. The market recovery in recent weeks could deliver stronger-than-expected Q3 results. Looking ahead, the Asia business offers strong long-term growth potential as middle class expansion should drive demand for insurance and wealth management products.

Investors who buy MFC stock today can pick up a 5.5% yield and simply wait for the dividend increases to roll in over the coming years.

## The bottom line on top stocks to buy for passive income

Enbridge and Manulife are good examples of industry leaders that pay attractive and growing dividends. An equal investment in the two stocks right now would provide an average yield of 5.85%. Investors can easily put together a diversified portfolio of top TSX dividend stocks to get this level of return.

On a TFSA investment of \$81,500, the 5.85% yield would generate \$4,767.75 per year in tax-free passive income. That's more than \$397 per month!

If you have some cash to put to work in a TFSA focused on passive income these stocks deserve to be on your radar.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:ENB (Enbridge Inc.)
4. TSX:MFC (Manulife Financial Corporation)

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