



## How Retirees Can Use the TFSA to Get \$373.50 Per Month in Tax-Free Passive Income for Life

### Description

Canadian pensioners now have as much as \$81,500 in Tax-Free Savings Account (TFSA) contribution room they can use to generate reliable and growing tax-free income that won't put their Old Age Security (OAS) pension payments at risk of a clawback.

### TFSA benefit for seniors

The [TFSA](#) is a great investing tool for all Canadians over the age of 18, but the growth of the TFSA limit each year particularly helps high-income retirees who are receiving OAS payments.

Why?

TFSA income is not taxed or used by the CRA to calculate net world income when determining the OAS pension recovery tax, otherwise known as the OAS clawback.

Company pensions, Canada Pension Plan (CPP) payments, OAS, [Registered Retirement Investment Fund](#) (RRIF) payments, employment income, and income from investments held in taxable accounts all get added to the net world income total. As a result, it doesn't take long for a retiree with a decent work pension to hit the OAS clawback threshold. In the 2022 income year, the number to watch is \$81,761. Each dollar of net world income above that amount triggers a 15-cent reduction in the July 2023 to June 2024 OAS payment period.

This means someone with net world income of \$91,761 in 2022 would see their total OAS reduced by \$1,500 next year. That's a big hit.

Taking full advantage of the TFSA contribution space is one way to avoid or at least minimize the OAS clawback.

[Guaranteed Investment Certificate](#) (GIC) rates are getting better, but buy-and-hold investors should still consider top dividend-growth stocks for TFSA passive income. The best dividend stocks deliver payout

increases each year. This slowly raises the return on the initial investment. Dips in the share price can be used to add to the position. Top dividend stocks tend to see their share prices rise over the long haul.

## Enbridge

**Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) currently offers a 6% dividend yield. That's comfortably above the 5-year GIC rate of about 4.6% being offered by the big banks. Enbridge increased the dividend in each of the past 27 years, and investors should see the payout continue to grow by 3-5% per year over the medium term, supported by the \$13 billion capital program.

Enbridge is benefitting from the rebound in the energy sector. The company moves 30% of the oil produced in Canada and the United States and is investing in terminals and new pipeline infrastructure to take advantage of growing international demand for North American oil and natural gas.

Enbridge spent US\$3 billion last year to buy an oil export terminal in Texas. In addition, management recently reached a deal to take a 30% stake in the \$5.1 billion Woodfibre liquified natural gas (LNG) project in British Columbia. LNG facilities cool natural gas to the point where it becomes liquid and can be put on ships and sent to foreign buyers. International natural gas prices are much higher than the price of the fuel in the domestic market and global natural gas demand is on the rise, as Europe seeks suppliers to replace Russia and utilities in Asia switch from coal and oil to natural gas to produce power.

Enbridge is a good stock to buy if you want exposure to the energy recovery without taking on the direct commodity risks associated with owning shares of the producers.

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

Enbridge is just one example of a top TSX dividend stock that TFSA investors can buy today for reliable passive income. In fact, the market pullback is giving retirees a chance to build a portfolio of top Canadian dividend stocks that would quite easily produce an average yield of at least 5.5%.

This would generate \$4,482.50 per year on a TFSA worth \$81,500. That's more than \$373.50 per month in tax-free passive income that won't put your OAS at risk of a clawback.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

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1. aswalker
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aswalker

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