



TFSA Passive Income: How to Earn \$360 Per Month for Decades

Description

The [market correction](#) is giving [Tax Free Savings Account](#) (TFSA) investors an opportunity to buy top TSX dividend stocks at cheap prices for a portfolio focused on high-yield passive income.

TFSA limit

The TFSA limit for 2022 is \$6,000, bringing the total maximum cumulative limit to \$81,500. That's enough room for retirees and other investors seeking passive income to build a significant portfolio of leading, high-yield dividend stocks.

All income generated in the TFSA can be paid out tax free. This means the earnings will not bump an investor into a higher tax bracket. It is also important for people who receive Old Age Security (OAS) pensions. The Canada Revenue Agency (CRA) implements an OAS clawback when net world income tops a minimum threshold. Most seniors can't afford to lose part of their OAS payment, so the TFSA income is particularly important. The CRA doesn't include TFSA income when determining the OAS pension recovery tax. For the 2022 income year, the number to keep an eye on is \$81,761.

[Guaranteed Investment Certificate](#) (GIC) rates are moving higher, but top-quality, high-yield dividend stocks remain attractive. The best companies to buy have good track records of dividend growth and share prices that tend to trend higher over the long run.

TD Bank

TD ([TSX:TD](#))([NYSE:TD](#)) is Canada's second-largest bank with a [market capitalization](#) of \$153 billion. The stock is down considerably in 2022, falling from a high near \$108 in February to the current price near \$84. Big drops in TD's share price have historically proven to be good buying opportunities for dividend investors as well as for those seeking to generate attractive total returns.

A \$10,000 investment in TD stock 25 years ago would be worth about \$115,000 today. That jumps to \$185,000 with the dividends reinvested.

TD raised the dividend by a compound annual rate of about 11% over that timeframe. Investors should see the generous payout growth continue. TD is a good stock to buy if you want exposure the U.S. economy through a leading Canadian bank. The bank is making two acquisitions in the United States to boost long-term revenue expansion. The US\$13.4 billion purchase of **First Horizon** will make TD a top-six bank in the American market. TD is also purchasing **Cowen**, an investment bank, for US\$1.3 billion.

Investors who buy TD stock at the current level can get a 4.2% dividend yield.

Enbridge

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is a good stock to buy for reliable high-yield income. The board has raised the dividend in each of the past 27 years, and the current payout provides a 6.4% dividend yield.

Enbridge stock is now below \$54 per share. It was as high as \$59.50 in early June. The pullback looks overdone, given the nature of the revenue stream. Enbridge doesn't produce oil or natural gas, so it largely isn't directly impacted by changes in the commodity prices. The company simply transports the fuels from the production sites to refineries, storage facilities, liquified natural gas (LNG) plants, or utilities and charges a fee for providing the service.

Enbridge operates strategically important oil and natural gas pipeline networks that should gradually increase in value due to the challenges of getting new assets approved and built. With a market capitalization of about \$109 billion, Enbridge still has the financial clout to make acquisitions to drive revenue growth. The company is also still able to find smaller development projects across the asset base, including the current \$13 billion capital program.

A \$10,000 investment in Enbridge stock 25 years ago would be worth \$134,000 today if an investor pocketed all the dividends, and it would be worth more than \$225,000 had the dividends been reinvested.

The bottom line on top stocks to buy for passive income

An equal investment in TD and Enbridge would generate an average dividend yield of 5.3%. Investors can quite easily put together a diversified portfolio of top stocks to generate this level of yield today. On a TFSA of \$81,500 this would provide \$4,319.50 in annual tax-free income. That's nearly \$360 per month!

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:ENB (Enbridge Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. aswalker
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date

2025/08/25

Date Created

2022/09/08

Author

aswalker

default watermark

default watermark