



TFSA Passive Income: Earn \$400 Each Month for Life

Description

The [market pullback](#) is giving retirees and other Tax-Free Savings Account (TFSA) investors a chance to buy top [TSX](#) dividend stocks at cheap prices.

All dividends and capital gains earned inside the TFSA remain beyond the reach of the Canada Revenue Agency. That's important for investors who don't want to get bumped into a higher tax bracket as a result of dividend income.

The TFSA contribution limit rose by \$6,000 in 2022 to a cumulative maximum space of \$81,500. That's large enough to build a meaningful stream of steady passive income from a balanced portfolio of stocks. Let's take a look at two that deserve to be on your radar.

Bank of Nova Scotia

Bank of Nova Scotia ([TSX:BNS](#)) trades near \$65 per share at the time of writing. The stock topped out at \$95 earlier this year. This is a big drop in a short time for a high-quality bank that remains very profitable and continues to raise the dividend. Bank of Nova Scotia increased the distribution by 11% late last year and hiked it by another 3% when the bank reported the fiscal second quarter (Q2) 2022 results.

An anticipated recession in 2023 or 2024 will have an impact on revenue growth at all the Canadian banks. Consumers are using more of their discretionary income or even savings to buy essential goods. That's going to hit businesses and eventually reduce expansion investments. The hot jobs market should cool off, and unemployment is likely to increase. Rate hikes by the Bank of Canada are already hitting the housing market, and the steep rise in mortgage costs could cause house prices to fall more than expected.

Despite the headwinds, Bank of Nova Scotia looks oversold. The company has a strong capital position to ride out the downturn, and at 7.8 times trailing 12-month earnings, the stock appears cheap. Investors who buy at the current price can get a solid 6.3% dividend yield and wait for the rebound.

TC Energy

TC Energy ([TSX:TRP](#)) trades near \$58 per share at the time of writing compared to \$74 in June. The stock price dropped along with the pullback in the broader energy market, but the damage appears heavily overdone. TC Energy isn't a producer of oil or natural gas. The company simply moves the commodities from the producers to storage sites, refineries, or utilities and charges a fee for providing the service.

Demand for North American oil and natural gas remains strong and is expected to increase in the coming years. TC Energy's extensive networks of pipelines and storage facilities in Canada, the United States, and Mexico position the company to benefit from the trend.

TC Energy is building the Coastal GasLink pipeline that will connect natural gas producers to a new liquified natural gas (LNG) facility on the coast of British Columbia. TC Energy's network in the United States connects American producers to the U.S. Gulf coast where LNG facilities ship the fuel to foreign buyers.

Investors who buy the stock at the current level can get a 6.2% dividend yield.

The bottom line on top stocks to buy for passive income

Bank of Nova Scotia and TC Energy are good examples of top stocks paying attractive dividends that should continue to grow. Investors can now easily build a diversified portfolio of top dividend stocks from various sectors to get an average yield of 6%. This would generate \$4,800 per year on \$80,000 in TFSA investments. That's \$400 per month!

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:TRP (Tc Energy)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:TRP (TC Energy Corporation)

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Date

2025/07/20

Date Created

2022/10/11

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