



TFSA Passive Income: Earn \$407.50 Per Month for Life

Description

Tax-Free Savings Account (TFSA) investors received an extra \$6,000 in contribution space in 2022. This brings the total cumulative [TFSA](#) room to \$81,500. Retirees and others seeking passive income can now buy top [TSX](#) dividend stocks at [undervalued](#) prices to get attractive dividend yields from a diversified portfolio of Canadian firms.

Enbridge

Enbridge ([TSX:ENB](#)) trades near \$51 per share at the time of writing compared to more than \$59 at the peak in June. The drop appears overdone, and investors can now get a solid 6.75% dividend yield.

Enbridge has a \$13 billion secured capital program that should support revenue and cash flow growth in the next few years. In addition, Enbridge is making strategic acquisitions to take advantage of shifts in the global energy market. Enbridge bought an oil export platform for US\$3 billion last year. The company also recently announced a deal to take a 30% stake in the \$5.1 billion Woodfibre liquified natural gas (LNG) project being built on the coast of British Columbia. Global demand for Canadian and U.S. oil and gas is rising and Enbridge is in a good position to benefit from the trend. The company already moves 30% of the oil produced in the two countries and 20% of the natural gas used in the United States.

Enbridge is investing in renewable energy assets, carbon-capture hubs and hydrogen facilities as part of its growth strategy for the coming decades.

Bank of Nova Scotia

Bank of Nova Scotia ([TSX:BNS](#)) is currently Canada's fourth-largest bank with a market capitalization of \$80 billion. The stock trades near \$66 per share at the time of writing compared to \$95 earlier this year.

BNS stock looks undervalued right now at less than eight times trailing 12-month earnings. Investors

who buy the stock can get a solid 6.2% dividend yield.

Bank of Nova Scotia's international operations are focused on the Pacific Alliance countries of Mexico, Peru, Chile, and Colombia. This is in contrast to other large Canadian banks that are betting on the American market. Investors might be discounting BNS stock based on the real or perceived extra risks connected to the Latin American operations, but the division generates strong profits and offers significant growth potential, as the middle class expands in the trade bloc that is home to more than 230 million consumers. Adjusted net income in the international business rose from \$493 million in the fiscal third quarter (Q3) 2021 to \$691 million in fiscal Q3 2022.

In Canada, rising interest rates are going to put pressure on businesses and households with excessive debt. Bank of Nova Scotia will likely see defaults rise, but the company's capital position is strong with a common equity tier-one (CET1) ratio of 11.4% at the end of fiscal Q3 2022. Economists broadly expect a mild and short recession in Canada in 2023 or 2024. Based on this outlook, BNS stock appears oversold.

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

Enbridge and Bank of Nova Scotia are just two examples of high-yield dividend stocks investors can now buy for a balanced portfolio targeting passive income. Getting an average yield of 6% is possible across a diversified basket of dividend stocks. This would generate \$4,890 per year in tax-free dividends on a TFSA of \$81,500. That's \$407.50 per month!

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:ENB (Enbridge Inc.)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:ENB (Enbridge Inc.)

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