TFSA Passive Income: 3 Top Stocks to Buy and Never Sell

Description

Over a long period of time, the power of tax-free compounding in your TFSA (Tax-Free Savings Account) can have a life-changing effect on your wealth. Given enough time to grow, your TFSA can even pay for your retirement.

Save, invest in your TFSA, and grow your retirement wealth

Here is an interesting hypothetical example. Let's say you invested $81,500 (the total TFSA contribution limit today) and earned an average 4% annual return from dividends and 4% from capital appreciation.

If you let these investments compound for next 25 years, they could be worth as much as $558,000. If you also contributed $500 per month to your TFSA (for an annual contribution limit increase of $6,000) over 25 years, your capital could balloon to over $996,000!

Saving, tax-free investing, and time are the perfect ingredients to grow retirement wealth. If you are looking for some passive-income-producing stocks to start out with in your TFSA, here are three I'd consider today.

CN Rail: A long-term TFSA stock

Canadian National Railway (TSX:CNR) is an excellent blue-chip stock for long-term TFSA investors. For 20 years, it has generated an average annual return of around 15%. While it only pays a 1.88% dividend yield, it has compounded annual earnings and dividends by 10% and 14%, respectively.

CN's rail network spans across Canada and the United States. It is an irreplaceable asset economically. The company has an ingrained competitive moat and consistently strong pricing power.

With a new chief executive officer, CN is focused on efficiencies and improving network velocity. Despite a challenging economic environment, CN still targets 15-20% earnings-per-share growth in

2022. It continues to generate a lot of excess cash and it has a good chance of continuing to grow its dividend for many years ahead.

Brookfield Renewables: Decades of growth ahead

Another great growth and income stock for any TFSA is **Brookfield Renewable Partners** (TSX:BEP.UN). Renewable energy continues to be an important global trend and Brookfield plays a critical part here. While it operates 23 gigawatts (GW) of green power today, it has over 100 GW in its development pipeline.

This will likely take decades to complete. However, it just demonstrates that this company has plenty of opportunities to grow from here.

BEP earns investors a 4.3% dividend yield today. This stock has a history of growing its dividend by a 6% compound annual growth rate (CAGR). For an above-average return for only moderate risk, BEP is a solid TFSA stock for a lifetime of passive income.

TELUS: A dividend-growth stalwart

TELUS (TSX:T) has earned very good returns for long-term shareholders in the past. Since 2002, TELUS shareholders have earned a 14% average rate of return. That has a slowed to the high single digits in recent years, but there are reasons to be optimistic going forward.

Firstly, TELUS is completing a large fibre optic and 5G infrastructure spending plan. Upon completion, it expects to earn an elevated level of excess cash. Management is targeting +7% dividend growth for the coming few years.

Secondly, TELUS is expanding its digital presence in various areas of healthcare, business, and agriculture. These are faster-growing segments that are becoming substantial businesses.

TELUS has begun monetizing these segments (**TELUS International**), and that could lead to further share upside in the coming years. While shareholders wait, they get to earn a great 4.85% dividend right now.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:CNI (Canadian National Railway Company)
3. NYSE:TU (TELUS)
4. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
5. TSX:CNR (Canadian National Railway Company)
6. TSX:T (TELUS)

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