



TFSA Passive Income: How to Earn \$427 per Month

Description

The 2022 [market correction](#) is providing retirees and other investors seeking TFSA passive income with a chance to buy great Canadian dividend stocks at discounted prices. Some of the best [TSX](#) dividend stocks now offer yields above 6%.

Top stocks to own in a portfolio focused on passive income tend to have long track records of dividend growth through all economic conditions. Today, we're going to look at two of these stocks.

TFSA overview

The government created the TFSA in 2009 to provide Canadians with another savings tool to complement the RRSP. Since its inception, the cumulative TFSA contribution space has grown to \$81,500. That's large enough to build a significant portfolio of top stocks to generate tax-free income.

Investors of all ages should try to max out their TFSA contributions, but retirees who collect Old Age Security (OAS) really benefit. All dividends, interest, and capital gains earned inside the TFSA and removed as income are not taxed. In addition, the CRA does not incorporate the income when determining the [OAS pension recovery tax](#), otherwise referred to as the OAS clawback.

Every dollar of net world income above a minimum threshold triggers a 15-cent cut to the OAS payments in the next year. Seniors who have incomes near or above the minimum threshold, which is \$81,761 for the 2022 income year, can benefit by shifting investments to their TFSA from taxable accounts.

BCE

BCE ([TSX:BCE](#))([NYSE:BCE](#)) raised its dividend by at least 5% in each of the past 14 years. The company is on track to generate free cash flow gains of 2-10% in 2022 compared to last year, so investors should see another decent distribution hike for next year.

BCE is a good stock to own during a recession. The company gets most of its revenue from essential mobile and internet subscription services. Even the TV subscriptions will likely hold up well during tough times. People are more likely to cut other discretionary spending before cancelling their TV plan, especially due to the savings consumers receive on their bundled communications and entertainment packages.

BCE stock trades near \$60 per share at the time of this writing compared to \$74 earlier this year. The drop appears overdone, and investors can now get a 6.1% dividend yield.

Enbridge

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) raised its dividend in each of the past 27 years. The current \$13 billion capital program should support rising revenue and higher distributable cash flow in the medium-term.

Enbridge is pivoting from the construction of massive oil pipelines to smaller investments targeted at key growth segments. The company spent US\$3 billion to buy an oil export terminal in Texas last year. Enbridge is also betting on the expansion of liquified natural gas (LNG) exports through its recent deal to claim a 30% stake in the \$5.1 billion Woodfibre LNG project in British Columbia.

In addition, Enbridge is expanding its solar, wind, and geothermal [asset portfolio](#) and investing in hydrogen and carbon capture hubs.

ENB stock trades for \$52.50 at the time of this writing compared to more than \$59 in June. Investors who buy at the current price can get a 6.5% dividend yield.

The bottom line on top stocks for passive income

BCE and Enbridge pay attractive dividends that should continue to grow and deserve to be part of a balanced TFSA portfolio. Investors can now easily build a diversified TFSA of top TSX dividend stocks that produce an average yield of 6.3%. This would generate \$5,134.50 per year on a TFSA of \$81,500. That's more than \$427 per month!

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:ENB (Enbridge Inc.)
3. TSX:BCE (BCE Inc.)
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