



## TFSA Passive Income: How Couples Can Earn \$815 Per Month

### Description

Retirees and other [Tax-Free Savings Account \(TFSA\)](#) investors can take advantage of the [market correction](#) to buy high-quality dividend stocks for a portfolio focused on passive income.

### TFSA benefits

The TFSA contribution limit increased by \$6,000 in 2022. This brought the cumulative maximum contribution space to \$81,500 per person. A retired couple would have as much as \$163,000 in room to earn tax-free income on their savings.

Pensioners who receive Old Age Security (OAS) payments have to watch out for the [OAS pension recovery tax](#). The CRA implements a 15% clawback on OAS payments when net world income tops a minimum threshold. In 2022, the number to watch is \$81,761.

One way to avoid the OAS clawback, or at least reduce it if your taxable CPP, OAS, and company pensions already are above the limit, is to hold savings in a TFSA. All interest, dividends, and capital gains generated inside the TFSA and removed as income are excluded from the CRA's net world income calculation.

One popular TFSA investing strategy for generating passive income involves owning a diversified basket of top Canadian dividend-growth stocks. Let's take a look at two examples.

### TC Energy

**TC Energy** ([TSX:TRP](#)) raised its dividend in each of the past 22 years, and investors should see steady dividend growth continue in the 3-5% range per year over the medium term, supported by the \$28 billion capital program.

TC Energy primarily operates natural gas transmission and storage assets in Canada, the United States, and Mexico. The company also has oil pipelines and power-generation facilities to round out

the revenue stream.

Domestic and international natural gas demand is on the rise and TC Energy has infrastructure in place or under construction to take advantage of the trend. The company's U.S. pipeline network connects producers in the strategic Utica and Marcellus shale plays with liquified natural gas (LNG) terminals on the Gulf Coast. In Canada, TC Energy is building a pipeline to transport natural gas to a new LNG facility on the coast of British Columbia.

TRP stock looks oversold right now near \$60 per share. Investors can currently pick up a 6% dividend yield.

## Manulife

**Manulife** ([TSX:MFC](#)) also looks [undervalued](#) right now and provides a 6% dividend yield. The company increased the dividend by 18% late last year, driven by record profits. Things are a bit more challenging in 2022 with the surge in Omicron early in the year driving up claims in the insurance operations and the market correction through the second and third quarters, putting pressure on the wealth and asset management businesses.

These are short-term issues, and the big picture outlook should be positive for Manulife in the coming years. The company's Asia businesses offer strong growth potential, as the middle class expands and demand rises for insurance and investment products.

In the meantime, investors get paid well to wait for the rebound in the insurance sector.

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

TC Energy and Manulife are two examples of stocks that should be attractive picks for a balanced TFSA portfolio targeting passive income. It would be quite easy right now to build a diversified portfolio of top TSX dividend stocks that can produce an average yield of 6%.

On a TFSA of \$81,500 this would generate \$4,890 per year in passive income. A retired couple could therefore get as much as \$9,780 per year. That's \$815 per month tax free that wouldn't put OAS pensions at risk of a clawback!

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:MFC (Manulife Financial Corporation)
2. NYSE:MFC (Manulife Financial Corporation)
3. NYSE:TRP (Tc Energy)
4. TSX:TRP (TC Energy Corporation)

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#### **Date**

2025/09/26

#### **Date Created**

2022/11/03

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