



TFSA Passive Income: Earn \$339 Tax Free Every Month

Description

The [market correction](#) can be scary, but drops in top [TSX](#) dividend stocks give investors seeking passive income a chance to buy great companies at undervalued prices for diversified TFSA portfolios.

With a mild recession likely on the way, it makes sense to own high-quality dividend stocks that provide solid and growing distributions.

The TFSA contribution limit increased by \$6,000 in 2022. Retirees and other dividend investors now have as much as \$81,500 in contribution space to generate steady and growing tax-free earnings.

Telus

Telus ([TSX:T](#)) recently increased its dividend, marking a 7.2% increase in the payout compared to this time last year. The new quarterly distribution provides an annualized yield of about 4.9% at the current share price near \$28.50, which is down from more than \$34 earlier this year.

Telus will largely complete its copper-to-fibre capital program in 2022. Beginning in 2023, the capital expenditures are expected to drop down to an annual rate of \$2.5 billion from about \$3.5 billion this year. The reduction will free up more cash flow available for dividends and share buybacks in the coming years.

Telus is best known for its mobile and internet services. These are needed by households and businesses in all economic conditions, so the revenue stream should hold up well, even during a downturn in the economy.

Telus continues to diversify its business with investments in digital healthcare and digital solutions for farmers and the consumer goods industry. The 2022 purchase of LifeWorks, a provider of health plans to companies with employee health programs, is a good example.

Telus increased its 2022 free cash flow guidance to a target of approximately \$1.3 billion. This should support a decent dividend increase in the 7-10% range for 2023.

Bank of Nova Scotia

Bank of Nova Scotia ([TSX:BNS](#)) stock is down nearly 30% in 2022. This is despite the fact that the bank raised the dividend by 11% late last year and then increased the payout by another 3% when the company reported fiscal second-quarter results.

Investors who buy BNS stock at the current share price near \$66 can get a solid 6.25% dividend yield and simply wait for the bank sector to rebound.

[Bank stocks](#) are down as a result of rising recession fears. It's true that loan growth is expected to slow down in 2023 or 2024, and loan losses could rise, as higher interest rates put pressure on businesses and households that are carrying too much debt. However, the pullback in bank stocks appears overdone, and patient investors have a chance to pick up some good deals.

The bottom line on top stocks to buy for passive income

Telus and Bank of Nova Scotia are good examples of quality dividend stocks to buy for a balanced TFSA portfolio. These companies pay reliable dividends that should continue to grow through challenging economic times.

Investors can quite easily build a diversified portfolio of top TSX dividend stocks that will generate a yield of at least 5% today. This would produce \$4,075 per year in tax-free income on a TFSA of \$81,500. That's more than \$339 per month!

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BNS (Bank Of Nova Scotia)
2. TSX:T (TELUS)

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