



TFSA Passive Income: How to Earn \$305 Tax Free Each Month for Life

Description

Canadian retirees and other Tax-Free Savings Account (TFSA) investors are searching for top stocks that will generate reliable and growing tax-free passive income. The [market correction](#) in 2022 gives dividend investors a chance to buy great stocks at [undervalued](#) prices. Retirees have as much as \$81,500 in TFSA contribution space available in 2022 after the limit increased by \$6,000 this year.

Telus

Telus ([TSX:T](#)) trades for close to \$29 per share at the time of writing compared to more than \$34 earlier this year. The drop in the stock price appears overdone. Telus generated solid results for the third quarter (Q3) of 2022, and investors should see steady dividend growth emerge in the coming years.

Adjusted net income rose 20.2% compared to Q3 2021. The company expects to wind down its heavily capital outlays for its copper-to-fibre transition by the end of this year, as the initiative is largely complete. This will result in a drop of about \$1 billion in capital expenditures for 2023, thus freeing up more cash that can be returned to shareholders as dividends or share buybacks.

Dividend growth is expected to be 7-10% per year over the medium term. At the time of writing, investors can pick up a 4.8% yield and look forward to steady payout increases.

Canadian Natural Resources

Canadian Natural Resources ([TSX:CNQ](#)) has raised its dividend in each of the past 22 years with a compound annual dividend-growth rate of better than 20% over that timeframe. That's an impressive track record for a business that relies on commodity prices to drive profits.

CNRL produces oil and natural gas. The assets are spread out across the various product types, including oil sands, conventional heavy oil, conventional light oil, offshore oil, natural gas liquids, and natural gas. CNRL has the flexibility to shift capital around its portfolio quickly to take advantage of

positive movements in commodity prices. This is one reason for the strong performance through challenging times in the energy markets.

The board just increased the dividend by 13%. That's on top of a 28% increase in the spring and a 25% hike late last year. The current distribution provides a yield of 4.2% at the time of writing. Investors also received a \$1.50-per-share special dividend in August and more bonus payouts are likely on the way in 2023.

CNRL is using excess cash to reduce debt, buy back shares, and boost dividend payouts. With oil and natural gas prices still at very profitable levels and expected to remain high for the next few years, investors should see distributions increase, as the debt and share base continue to drop.

The bottom line on top TSX dividend stocks for passive income

Telus and CNRL are good examples of top TSX dividend stocks that pay attractive and growing distributions for investors seeking passive income.

It is quite easy to put together a diversified portfolio of good dividend stocks right now that would provide an average yield of 4.5%. This would generate \$3,667.50 in annual tax-free income in a portfolio valued at \$81,500. That's more than \$305 per month!

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CNQ (Canadian Natural Resources Limited)
2. TSX:T (TELUS)
3. TSX:TD (The Toronto-Dominion Bank)

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