TFSA Passive Income: Earn $440 Per Month Tax Free for Life

Description

Retirees and other Tax-Free Savings Account (TFSA) investors seeking tax-free passive income are wondering which top TSX dividend stocks are now good to buy for their portfolios.

TFSA limit increase in 2023

The TFSA limit will increase by $6,500 in 2023. This will bring the cumulative maximum contribution limit to $88,000. That's large enough to help pensioners build meaningful portfolios of stocks and Guaranteed Investment Certificates (GICs) that can generate reliable and growing tax-free passive income.

Seniors who receive Old Age Security (OAS) pensions should consider maxing out their TFSA contributions before holding investments in taxable accounts. The reason is that the Canada Revenue Agency (CRA) does not include TFSA earnings when calculating net world income to determine the OAS pension recovery tax, also known as the OAS clawback. The CRA implements a 15% recovery tax on every dollar of net world income above a minimum threshold. The number to watch for the 2022 income year is $81,761.

GIC rates have increased considerably in 2022, making the GIC a reasonable option again for generating income. Dividends stocks, however, still deserve to be on the radar. Top dividend payers raise the distributions annually and their share prices tend to rise over time, supported by the growing distributions.

Enbridge

Enbridge (TSX:ENB) operates the world's largest oil and natural gas pipeline infrastructure network. The company transports nearly a third of the oil produced in Canada and the United States and 20% of the natural gas used by Americans. In addition, Enbridge owns an oil export facility and recently took a 30% stake in a Canadian liquified natural gas (LNG) development. In addition, Enbridge has a growing renewable energy group, along with natural gas utilities.

Oil and natural gas demand is expected to rise in the coming years, despite the ongoing shift to electric cars and renewable power production. As such, demand for Enbridge's transportation and storage services should expand.

The board raised the dividend in each of the past 27 years. Enbridge has a $17 billion capital program on the go that will help drive revenue and cash flow growth over the medium term to support ongoing dividend increases.

At the time of writing, the stock provides a 6.4% dividend yield.

BCE

BCE (TSX:BCE) is Canada's largest communications company with wireline and wireless networks across the country that deliver internet, TV, security, and mobile services to homes and businesses. BCE also owns a media group with assets that include a TV network, specialty channels, radio stations, and interests in sports teams.

The mobile and internet subscription revenues should hold up well even if the economy goes through a recession in 2023 or 2024, as is widely predicted by economists. As a result, BCE should be a good stock to buy if you are concerned about potential economic turbulence.

The board increased the dividend by at least 5% in each of the past 14 years. BCE is on track to meet its 2022 financial guidance, so there should be a decent dividend hike on the way for 2023.

Investors who buy BCE stock at the current share price near $63 can get a 5.8% dividend yield.

The bottom line on top stocks to buy for passive income

Enbridge and BCE are good examples of stocks that pay attractive and growing dividends for a diversified portfolio targeting passive income.

Investors can quite easily build a balanced TFSA today with top dividend stocks that will generate an average yield of 6%. In a self-directed TFSA worth $88,000 this would generate $5,280 per year in tax-free earnings. That's $440 per month!

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BCE (BCE Inc.)
2. TSX:ENB (Enbridge Inc.)

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1. Business Insider
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