



## TFSA: How to Get \$421 Per Month in Tax-Free Passive Income

### Description

Retirees and other investors seeking tax-free passive income are taking advantage of their [Tax-Free Savings Account \(TFSA\)](#) contribution space to build diversified portfolios of top dividend stocks.

### TFSA limit 2023

The TFSA limit for 2023 is increasing by \$6,500. This will bring the cumulative maximum contribution space to \$88,000 per person. That's significant enough to set up a retirement fund that can generate reliable passive income to complement Canada Pension Plan (CPP), Old Age Security (OAS), and company pensions.

The great thing about TFSA income is that the Canada Revenue Agency (CRA) doesn't take a cut. In addition, the CRA won't include the TFSA earnings when it calculates net work income used to determine the [OAS pension recovery tax](#). Seniors who receive OAS pensions need to keep an eye on their income. Once net world income tops a minimum threshold, the CRA implements a 15% clawback on OAS payments in the next year.

Guaranteed Investment Certificate ([GIC](#)) rates are now up to attractive levels and are worth considering for investors who want zero investment risk. Those who can handle some market volatility might want to consider top TSX dividend stocks that still offer yields above GIC rates and are expected to raise dividends in the next few years.

### BCE

**BCE** ([TSX:BCE](#)) has been a long-time favourite among retirees for its generous and growing dividend. The company raised the payout by at least 5% in each of the past 14 years, and the trend should continue. BCE is on track to meet its revenue, earnings, and free cash flow growth targets this year and continues to make the investments needed to drive future revenue expansion.

The stock is down from the 2022 high of \$74 to \$62.50 at the time of writing. The pullback appears

overdone and gives investors a chance to pick up a 5.9% dividend yield.

BCE's mobile and internet services revenues should hold up well during a recession.

## TC Energy

**TC Energy** ([TSX:TRP](#)) gets most of its revenue from providing natural gas transmission and storage services in Canada, the United States, and Mexico. Domestic and international demand for natural gas is growing and TC Energy has the infrastructure in place, or under construction, to move natural gas from key production basins in Canada and the United States to liquified natural gas facilities where the fuel is then shipped by boat to overseas buyers.

TC Energy has a \$28 billion capital program on the go to drive revenue and cash flow growth in the coming years. As a result, management is targeting annual dividend increases of 3-5% over the medium term. TC Energy has increased the payout annually for more than two decades.

The stock trades near \$64 right now compared to \$74 in June. Investors who buy now can get a 5.6% dividend yield.

## The bottom line of top stocks for passive income

BCE and TC Energy are good example of top TSX dividend stocks that pay generous and growing dividends. Investors can quite easily put together a diversified TFSA portfolio of top Canadian dividend stocks that would provide an average yield of 5.75% today. For example, investing in BCE Energy and TC Energy together would get you that average yield of 5.75%.

Assuming you have a TFSA of \$88,000 and invest half of that in each of the energy stocks above, the account would generate \$5,060 per year in tax-free income. That's more than \$421 per month! Please note that we at the Fool prefer a more diversified portfolio of several stocks and don't recommend putting such a large sum into only two stocks. Instead, we suggest you mix and match a diverse group of dividend-paying stocks to achieve your target yield.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:BCE (BCE Inc.)
2. TSX:TRP (TC Energy Corporation)

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