



TFSA: Invest \$29,000 in These 3 Stocks and Get \$4,100 in Annual Dividend Income

Description

Quality [dividend stocks](#) trading on the TSX can help Canadians create a steady stream of passive income. As most dividend stocks have a quarterly payout, these payments are quite predictable. Further, the ongoing selloff in the equity market has driven yields of companies significantly higher in 2022, allowing investors to generate sizeable gains via consistent dividends.

If you hold dividend stocks in your TFSA, or [Tax-Free Savings Account](#), both dividend payouts as well as long-term capital gains are sheltered from Canada Revenue Agency taxes. Historically, dividend stocks have outperformed the broader indices due to their ability to generate profits across market cycles, making them all the more attractive.

The cumulative TFSA contribution room will increase to \$88,000 in 2023. So, if you invest \$29,000 in each of the three stocks discussed below, you can earn close to \$4,150 in annual dividend income in the next year. Let's see how.

Enbridge: A passive-income giant for your TFSA

One of the largest companies on the TSX, **Enbridge** ([TSX:ENB](#)) is an energy infrastructure heavyweight. Currently, ENB stock offers investors a dividend yield of 6.3%, given its annual dividend payout of \$3.44 per share. So, an investment of \$29,000 in ENB stock would yield shareholders \$1,827 in annual dividends.

COMPANY	RECENT PRICE	NUMBER OF SHARES	DIVIDEND	TOTAL PAYOUT	FREQUENCY
Enbridge	\$54.82	529	\$3.44	\$1,820	Annual
Canadian Natural Resources	\$81.22	357	\$3.40	\$1,214	Annual

Brookfield Renewable	\$50.43	575	\$1.96	\$1,127	Annual
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Enbridge stock has generated market-beating returns to investors in the last 20 years. For example, an investment of \$29,000 in ENB stock back in November 2002 would be worth \$330,000 today after adjusting for dividends.

Enbridge is a midstream company and is relatively immune to fluctuations in commodity prices. A majority of its contracts are fee-based and indexed to inflation, allowing the company to increase dividends at an annual rate of 11.64% in the last two decades.

Canadian Natural Resources: An energy play

Another company that operates in the energy sector is **Canadian Natural Resources** ([TSX:CNQ](#)). Its robust balance sheet and low-cost structure have allowed CNQ to increase dividends at an annual rate of 22% in the last 22 years, which is quite remarkable for a cyclical company.

In fact, shares of Canadian Natural Resources have surged by a staggering 2,450% since November 2002. Despite its market-thumping returns, the energy stock offers investors a dividend yield of 4.3%. So, a \$29,000 investment in CNQ will help you earn \$1,247 in dividends in 2023.

Brookfield Renewable Partners: A clean energy company

The final dividend stock on my list is **Brookfield Renewable Partners** ([TSX:BEP.UN](#)), one of the largest companies operating in the clean energy segment. BEP stock has returned 1,970% to investors over two decades.

It's currently trading 39% below all-time highs, increasing the dividend yield to 3.9%. So, an investment of \$29,000 in BEP will help shareholders earn \$1,130 in annual dividends each year.

Brookfield Renewable continues to invest heavily to expand its base of clean energy assets, which should drive cash flows higher over time and support further dividend increases. The company's management aims to return around 13% annually to shareholders in the medium term, making it one of the [top stocks on the TSX](#).

The Foolish takeaway

Investing a total of \$87,000 distributed equally in the three TSX companies can help investors earn \$4,161 in annual dividend income. If these payouts increase by 7% annually, dividend income will double to almost \$8,000 in the next 10 years.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
2. TSX:CNQ (Canadian Natural Resources Limited)
3. TSX:ENB (Enbridge Inc.)

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