



4 Canadian Stocks I Bought for Tax-Free Passive Income

Description

Did you know that you can earn tax-free passive income from stocks?

It's true. By holding dividend stocks in a tax-free savings account (TFSA), you can collect dividend income without paying any taxes!

It takes a while to build a substantial amount of tax-free passive income this way, but if you're disciplined about it, it does work. In this article, I will explore three dividend stocks I bought for tax-free passive income.

Suncor Energy

Suncor Energy ([TSX:SU](#)) is a [Canadian oil stock](#) that I bought and sold earlier this year. I only collected one dividend from it, because I felt that its price got a little too high. At one point, WTI Crude oil was above \$120, and Suncor was near \$60. I felt that oil was getting way too high at that level, and I wasn't totally sure whether Suncor had gotten too expensive. Since I was sitting on a gain, I decided to just sell the stock rather than deal with the uncertainty. In the end, it was a good move, because Suncor stock fell after I sold it.

Is Suncor a good buy today? Nothing is ever certain, but I suspect that it possibly is. SU has a 4.5% dividend yield, and OPEC (Organization of Petroleum Exporting Countries) is cutting output, which should prop up the price of oil. Overall, I'm expecting good things from Suncor.

Royal Bank of Canada

The Royal Bank of Canada ([TSX:RY](#)) is a Canadian bank stock that has a 4.35% yield at today's price. I held this stock for a few quarters last year. I sold it, not because I stopped liking it, but because I liked other opportunities more.

RY has a lot of things going for it. It's one of Canada's oldest financial institutions – even older than the

Bank of Canada – and has never faced a financial crisis in its 150-plus years of history. It has been paying dividends for over 100 years. The Big Six Bank is diversified, with Canadian lending, U.S. investment banking, and wealth management in the Caribbean. Basically, it's a stable financial institution that Canadians have come to count on to handle their money.

TD Bank

The **Toronto-Dominion Bank** ([TSX:TD](#)) is a dividend stock that I bought and still hold. Much like Royal Bank, it is a very old and reliable company that has paid dividends for over 100 years. However, it has other characteristics that are worth mentioning which are different from those of the Royal Bank.

First, TD has much less exposure to investment banking than RY does. RY earns a sizable percentage of its revenue from investment banking, TD only a small percentage. This is a key edge for TD because investment banking isn't doing well this year.

Second, TD has a big deal in the works. It's paying \$13.4 billion to buy **First Horizon**, a U.S. bank with \$89 billion in assets. The FHN deal will add \$1 billion a year to TD's net income if it closes. So far, closing has been delayed, but I remain optimistic. I'm quite happy having heavy banking exposure in my portfolio via TD and **Bank of America**.

CN Railway

The **Canadian National Railway** ([TSX:CNR](#)) is a Canadian stock that I held from 2018 to 2022. I exited the position earlier this year. It's a solid dividend play that has a 1.8% yield and a high dividend growth rate. You might think 1.8% is a low yield, but CNR's dividend has [grown by 15% per year](#) over the last 10 years. It won't take long for that 1.8% yield to turn into a 5% yield if CNR keeps up its historical dividend growth in the future. Thanks to its legendary three-coast rail network that ships \$250 billion worth of goods in a highly consolidated industry, it might well keep up its historical dividend growth.

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3. NYSE:SU (Suncor Energy Inc.)
4. NYSE:TD (The Toronto-Dominion Bank)
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