



How to Invest and Earn \$5,800 in Tax-Free Income in 2023

Description

The [Tax-Free Savings Account](#) or TFSA allows you to generate income that is exempt from Canada Revenue Agency taxes. This income can be in the form of interest, capital gains, and even dividends.

Introduced in 2009, the TFSA is a popular registered savings account among Canadians. The maximum cumulative contribution limit for the TFSA in 2023 is \$88,000. So, let's see how you can use this contribution room to earn \$5,800 in tax-free income this year.

Use the TFSA to buy quality energy stocks

Due to the tax-sheltered status of the TFSA, the benefits of this account can be leveraged to a great extent. For example, you can use it to hold a basket of blue-chip [dividend stocks](#) and benefit from a steady stream of payouts in addition to long-term capital gains.

The energy sector delivered outsized returns to shareholders in 2022. In case you expect oil prices to remain high this year, investing in quality dividend-paying energy stocks makes perfect sense.

Let's see how you can earn \$5,800 in tax-free income in your TFSA in 2023 by purchasing the below TSX stocks.

Enbridge

One of the largest TSX stocks, **Enbridge** ([TSX:ENB](#)), is a well-diversified energy infrastructure company. A majority of its cash flows are backed by long-term contracts making Enbridge's cash flows predictable across market cycles. Further, these contracts are also indexed to inflation, suggesting Enbridge is immune to major fluctuations in commodity prices.

Enbridge continues to expand its base of cash-generating assets driving future earnings higher, and allowing the energy giant to increase dividend payouts over time.

ENB stock currently offers investors a tasty dividend yield of 6.7%. In the last 20 years, its dividend payouts have increased at an annual rate of 11.6%.

Keyera

The second energy stock on the list is **Keyera Corp.** ([TSX:KEY](#)), a company that has a monthly dividend payout. Given its current price, Keyera's dividend yield stands at 6.5%, which is quite attractive.

Since 2018, the midstream oil and gas operator's return on invested capital has been 14%. Further, since the financial crash of 2008, it has increased distributable cash flow and dividends by 14% and 7%, respectively, on an annual basis.

COMPANY	RECENT PRICE	NUMBER OF SHARES	DIVIDEND	TOTAL PAYOUT	FREQUENCY
Enbridge	\$53.07	553	\$0.90	\$498	Quarterly
Keyera	\$28.77	1,019	\$0.16	\$163	Monthly
TC Energy	\$53.62	547	\$0.8875	\$485	Quarterly

Keyera has a healthy balance sheet with a net debt to adjusted EBITDA (earnings before interest, tax, depreciation, and amortization) of less than three times. It also ended Q3 of 2022 with more than \$1 billion in liquidity.

TC Energy

The final TSX dividend stock on my list is **TC Energy** ([TSX:TRP](#)), which provides a dividend yield of 6.7%. The energy infrastructure company has a diversified portfolio of cash-generating assets. Its integrated network of high barrier-to-entry assets allows the company to generate earnings across the midstream value chain while expanding the bottom line.

TC Energy's robust business model has enabled it to increase dividends at an annual rate of 6.2% in the last 20 years.

An investment of \$88,000 equally distributed among these three stocks can help you earn close to \$5,800 in annual dividend income this year.

The Foolish takeaway

This article is just an example of how dividend investing can help shareholders create a secondary income stream. But you need to diversify your investments and buy stocks across sectors to lower overall risk. Canadians can look to identify similar blue-chip companies on the TSX and create a robust portfolio of dividend-paying stocks.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. TSX:ENB (Enbridge Inc.)
2. TSX:KEY (Keyera Corp.)
3. TSX:TRP (TC Energy Corporation)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
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