TFSA Passive Income: How to Average $440 Per Month for Decades

Description

The Tax Free Savings Account (TFSA) contribution limit for 2023 is $6,500. This means Canadian investors have as much as $88,000 in cumulative TFSA space to earn interest, dividends, and capital gains that won't be shared with the Canada Revenue Agency (CRA).

One popular TFSA investing strategy for investors seeking passive income involves buying a diversified basket of top TSX dividend stocks on dips to take advantage of higher yields while you wait for the next dividend increase to boost the return.

BCE

BCE (TSX:BCE) is Canada's largest communications firm with a current market capitalization of about $57 billion. The company has the balance sheet strength to make the large investments needed to ensure its customers get the broadband capacity they need, as data consumption continues to grow.

BCE spent roughly $5 billion in 2022 on wireline and wireless initiatives. These included the direct connection of another 900,000 customers to fibre optic lines and the continued expansion of the 5G mobile network.

The investments position BCE for revenue growth and help protect its wide competitive moat. BCE has the power to raise prices when its costs increase. This is important for investors to consider in the current era of high inflation.

BCE looks cheap right now near $62.50 per share. The stock was as high as $74 in 2022. It wouldn't be a surprise to see it retest that level in the next two years.

BCE has raised the dividend by at least 5% annually over the past 14 years. Another increase in this range is expected for 2023, supported by a solid financial performance last year. At the time of writing, investors can pick up a 5.9% dividend yield.

Enbridge

Enbridge (TSX:ENB) is a giant in the North American energy infrastructure industry and ranks as one of Canada's largest companies with a market capitalization of close to $113.5 billion.

Management is shifting its growth focus. Enbridge historically expanded through the construction of large oil pipelines. Public opposition to these projects now makes it difficult to get them approved and built. As a result, Enbridge is currently focused on the growth in oil and natural gas exports, expansion of the natural gas utility business, renewable energy, and emerging opportunities in hydrogen and carbon capture.

Domestic and global demand for oil and natural gas is expected to rise in the coming years. This means throughput on the existing infrastructure network should remain high. At the same time, Enbridge's investments in an oil export terminal and a new liquified natural gas (LNG) facility will take advantage of rising exports of North American energy products to global buyers.

Enbridge stock performed well in 2022 and should hold up well in 2023, even if there is a recession. The share price is near $55.50 right now compared to $59.50 last summer. Investors who buy at the current level can get a 6.4% dividend yield. Enbridge increased its dividend in each of the past 28 years.

The bottom line on generating reliable TFSA passive income

BCE and Enbridge are good examples of top TSX dividend stocks that look attractive today and offer high yields. Investors can quite easily build a diversified portfolio of quality dividend stocks right now that would provide an average dividend yield of 6%.

On a TFSA portfolio worth $88,000, this would generate $5,280 per year in tax-free income. That's $440 per month!

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:ENB (Enbridge Inc.)

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