



TFSA Investors: 3 Stocks for Your \$6,500 Limit in 2023

Description

The TFSA limit is \$6,500 in 2023. This bumps up the total maximum TFSA contribution space per person to \$88,000.

Retirees who receive Old Age Security (OAS) and income investors who find themselves in high marginal tax brackets can potentially save significant tax payments on investment earnings by holding their stocks and fixed-income investments inside their TFSA rather than in taxable accounts.

The Canada Revenue Agency does not consider TFSA earnings when calculating net world income that is used to determine the [OAS pension recovery tax](#). That's a big deal for seniors who have combined taxable income that is near or above the OAS clawback threshold.

The [market correction](#) in 2022 drove down the share prices of many top [TSX](#) dividend stocks. Most are now off their 12-month lows, but many still appear oversold and offer attractive yields and growing payouts.

Fortis

Fortis ([TSX:FTS](#)) is a Canadian utility company with \$64 billion in assets located in Canada, the United States, and the Caribbean. The firm gets 99% of its revenue from regulated businesses that generate power, move electricity, or distribute natural gas. The essential nature of the operations should mean that revenue is reliable and predictable, even during challenging economic times.

Fortis is working on a \$22.3 billion capital program that will increase the rate base by an annual rate of about 6% through 2027. The resulting rise in cash flow should support targeted dividend increases of 4-6% per year over that timeframe.

Fortis has increased the payout in each of the past 49 years.

The stock trades near \$55.50 at the time of writing compared to a 12-month high around \$65. Investors who buy the dip can get a 4% dividend yield and look forward to steady payout growth.

Bank of Montreal

Bank of Montreal ([TSX:BMO](#)) increased the dividend by 25% when the government ended the pandemic ban on payout hikes for the Canadian banks late in 2021. The board then increased the dividend by another 4.5% when the company announced the results for the fiscal second quarter of 2022. This suggests management isn't overly concerned about the threats posed by a potential recession.

Bank of Montreal expects to close its US\$16.5 billion acquisition of Bank of the West on February 1, 2023. The deal adds more than 500 branches to the existing American operations and provides a good foothold in the California market.

BMO stock currently trades for close to \$132 per share compared to \$154 at the 2022 high. Investors can now pick up a 4.3% dividend yield.

TC Energy

TC Energy ([TSX:TRP](#)) operates more than 93,000 km of natural gas pipelines and 650 billion cubic feet of natural gas storage in Canada, the United States, and Mexico.

Natural gas should have a bright future as a back-up to renewable energy power. Solar, wind, and hydroelectric installations have limits due to their reliance on sunlight, wind, and water flow. Utilities also can't ramp up renewable energy output during demand surges. As a result, gas-fired power production likely has a strong future. Natural gas emits less carbon dioxide than oil or coal when burned.

TC Energy's share price took a beating in the past six months due to cost overruns on the Coastal GasLink pipeline project. At this point, most of the bad news should be out and the development is already 80% complete. The stock appears cheap near the current price of \$58. It was as high as \$74 in June. Investors can now get a 6.2% yield, and management still plans to boost the payout by 3-5% per year over the medium term.

The bottom line on top dividend stocks for a TFSA in 2023

Fortis, Bank of Montreal, and TC Energy all pay good dividends that should continue to grow. If you have some cash to put in a self-directed TFSA focused on passive income, these stocks appear cheap today and deserve to be on your radar.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BMO (Bank Of Montreal)
2. TSX:FTS (Fortis Inc.)
3. TSX:TRP (TC Energy Corporation)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. aswalker
2. kduncombe

Category

1. Investing

Date

2025/08/16

Date Created

2023/01/24

Author

aswalker

default watermark

default watermark