



TFSA Passive Income: How Pensioners Can Earn More Than \$400 Per Month Tax Free

Description

The [Tax-Free Savings Account](#) (TFSA) is a good tool for retired Canadians to use to generate tax-free passive income. The TFSA limit for 2023 is \$6,500. This brings the total maximum contribution space to \$88,000 per person.

OAS clawback

Seniors who collect Old Age Security (OAS) can use the TFSA to earn income that will help them avoid or minimize the OAS clawback that kicks in when net world income tops a minimum threshold. The number to watch in 2023 is \$86,912. This might seem high, but it doesn't take long to hit that level if a person collects a decent company pension, the Canada Pension Plan, OAS, and other taxable income.

The Canada Revenue Agency (CRA) implements an [Old Age Security pension recovery tax](#) of 15% on every dollar of net world income earned above the minimum threshold, but income generated inside a TFSA is not counted.

One popular TFSA [investing strategy](#) involves owning a basket of top TSX dividend stocks that have good track records of increasing distributions through challenging economic times. The [market correction](#) is giving TFSA investors a chance to buy high-yield stocks at cheap prices right now.

Enbridge

Enbridge ([TSX:ENB](#)) is one of Canada's largest companies with a current market capitalization near \$112 billion. The company owns oil and natural gas transmission, storage, and distribution networks along with renewable energy assets.

Enbridge's extensive oil pipeline infrastructure moves 30% of the crude oil produced in Canada and the United States. Enbridge is also expanding its presence in the oil export segment after the US\$3 billion purchase of an oil export terminal in Texas in 2021.

On the natural gas side the company's utilities supply millions of Canadian homes and businesses with fuel. South the border, Enbridge's transmission system moves 20% of the natural gas used in the United States. Enbridge is also expanding its infrastructure to supply liquified natural gas (LNG) plants on the Gulf Coast and recently secured a 30% interest in a new LNG facility being built in British Columbia.

Enbridge's share price rose in 2022 and should hold up well in 2023, supported by strong fuel demand in both there domestic and international markets. The board has raised the dividend in each of the past 28 years. At the time of writing, ENB stock provides a 6.4% dividend yield.

Bank of Nova Scotia

Bank of Nova Scotia ([TSX:BNS](#)) generated fiscal 2022 adjusted net income that actually beat the 2021 results. The share price, however, fell by more than 20% last year. Markets tend to be forward-looking, and there could be some headwinds for earnings in the next 12-18 months if Canada goes through a recession, but the pullback in Bank of Nova Scotia's stock appears overdone.

The board increased the dividend in 2022, and investors have received a distribution boost in 43 of the past 45 years. The stock currently trades near \$69 per share compared to a closing high around \$94 at the peak in 2022.

Investors who buy BNS shares at the current level can get a 6% dividend yield.

The bottom line on top stocks to buy for passive income

Enbridge and Bank of Nova Scotia are good examples of top TSX stocks that pay attractive dividends that should continue to grow. Investors can quite easily put together a diversified portfolio of TSX stocks that would provide an average yield of 6% today. On a TFSA of \$88,000, this would generate \$5,280 per year in tax-free income. That averages out to \$440 per month!

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:ENB (Enbridge Inc.)

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