TFSA Couples: How to Make $806 Per Month in Tax-Free Passive Income

Description

The Tax-Free Savings Account (TFSA) limit for 2023 is $6,500. This brings the cumulative maximum contribution space to $88,000 per person. As a result, couples now have as much as $176,000 in TFSA contribution room to build diversified portfolios of investments that can earn tax-free interest, dividends, and capital gains.

One popular investing strategy for generating reliable and growing passive income involves buying top TSX dividend stocks that have good track records of increasing their payouts.

Enbridge

Enbridge (TSX:ENB) plays a strategically important role in the smooth operation of the Canadian and U.S. economies. The company's extensive energy infrastructure moves 30% of the oil produced in the two countries and 20% of the natural gas consumed in the United States. Enbridge also has an oil export terminal that helps producers get their product to global markets and recently secured a 30% stake in a new liquified natural gas (LNG) facility being built in British Columbia that will ship LNG to international buyers.

Enbridge's natural gas utilities provide fuel to millions of Canadian homes and businesses. The company's growing renewable energy division operates wind, solar, and geothermal installations. Looking ahead, Enbridge is in a good position to become a leader in the emerging hydrogen and carbon sequestration segments.

Enbridge's stock price rose 7% in 2022, outperforming the broader TSX Index. Fuel demand is expected to rise in 2023, as commuters return to offices and airlines ramp up capacity. This means throughput on Enbridge's pipeline networks should be robust.

Enbridge has a $17 billion capital program on the go that will help boost distributable cash flow to support ongoing dividend growth. The board has raised the dividend in each of the past 28 years. At the time of writing, investors can get a 6.3% dividend yield.

CIBC

CIBC (TSX:CM) trades for close to $58 per share compared to the 2022 high above $83. The stock's decline through most of last year occurred as investors became increasingly concerned that rising interest rates could trigger a wave of mortgage defaults in the Canadian housing market. CIBC has a large Canadian residential mortgage portfolio relative to its size, so a meltdown in the housing market would likely hit the bank harder than its peers.

It is still too early to tell how things will pan out, but the pullback in CIBC's share price is at the point where the market is probably pricing in a severe economic downturn. Economists, however, widely predict a short and mild recession in Canada. They point to high levels of savings built up by companies and households during the pandemic as a buffer to the jump in inflation and rising debt costs.

CIBC has increased its dividend twice in the past year, so the management team doesn't appear to be too concerned about revenue and profits over the near term.

Additional volatility is possible, and the stock could drop from its current price, but CIBC should be a solid buy-and-hold pick. At the current price, investors can get a 5.9% dividend yield.

The bottom line on top stocks for passive income

Enbridge and CIBC are good examples of high-yield stocks that should continue to raise their dividends. Investors can quite easily build a diversified portfolio of TSX dividend stocks that would generate an average yield of at least 5.5% today. For a couple with combined TFSA investments of $176,000, this would generate $9,680 per year in tax-free income. That averages out to more than $806 per month!

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