TFSA Investors: Earn Passive Income With 3 Blue-Chip Stocks

Description

The **S&P/TSX Composite Index** posted positive returns from 2019 to 2021 — a low-interest rate period. Canadian stocks started strong in 2022 but eventually lost 8.66% overall due to rising interest rates. Some market experts said the TSX went cold because of the rate-hike cycles by the Bank of Canada (BOC).

BOC governor Tiff Macklem said the central bank would take a conditional pause after the recent rate hike. However, the door remains open to additional increases if inflation remains stubborn. But a market pullback is inevitable as long as inflation stays above the 2% target and more rate hikes become necessary.

Tax-Free Savings Account (TFSA) investors should rethink their strategies if a repeat of last year happens. Make your move now and ensure you have high-quality assets in your TFSA. Three blue-chip stocks should be enough to weather one or more economic downturns.

Financial

Canadian Imperial Bank of Commerce (TSX:CM) may be the fifth-largest bank in Canada, but it's a perfect holding in a TFSA, nonetheless. At $59.47 per share (+8.58% year to date), the dividend yield is an eye-popping 5.78%. The dividends should be safe and rock steady, given the low 48.95% payout ratio. Moreover, you can take comfort in CIBC's dividend track record of 154 years.

Its president and chief executive officer (CEO) Victor Dodig said the $53.88 billion bank is well diversified and resilient and has the proven ability to navigate an uncertain operating environment. He added, "We enter the new fiscal year as a modern, relationship-oriented bank with a strong capital position." In the last two fiscal years, CIBC's average net income is $6.16 billion.

Communications services

BCE (TSX:BCE) isn't immune from market headwinds, but it's a defensive holding and stable business in the current economic environment. Like CIBC, the dividend track record of this telco giant and industry leader is more than a century (141 years). The 5G stock trades at $62.32 per share (+4.76% year to date), while the dividend yield is a lucrative 5.89%.

The $56.83 billion telecommunications and media company has generated an average of $23.4 billion in total revenue in the last three years. BCE's balance sheet is healthy as ever. After three quarters in 2022, $3.5 billion of available liquidity is $3.5 billion, including $583 million in cash.

Management said the relatively low cyclicality for most of BCE's revenues mitigates the financial impact of rising interest rates and macroeconomic uncertainty.

Energy

TC Energy (TSX:TRP) counts among the bellwether stocks in Canada's oil and& gas midstream industry. While the stock isn't a high flyer, it's a Dividend Aristocrat. The $57.7 billion pipeline company has raised dividends for 21 consecutive years. At $57.70 per share (+6.89% year to date), you would delight in the 6.26% dividend yield.

Its president and CEO François Poirier said, "Demand for our services across our North American portfolio remains high, and we continue to see strong utilization, availability, and overall asset performance." He expects the $34 billion in fully sanctioned secured capital projects to help deliver an annual dividend growth rate of 3-5%.

No-brainer buys

CIBC, BCE, and TC Energy are no-brainer buys and excellent sources of tax-free passive income if you're holding them in your TFSA.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BCE (BCE Inc.)
2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:TRP (TC Energy Corporation)

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