



5 Stocks to Buy for \$5000/Year in Tax-Free Passive Income

Description

Introduced in 2009, the [Tax-Free Savings Account](#), or TFSA, is extremely popular among Canadian residents. The tax-sheltered status of this account makes the TFSA ideal for buying and holding quality dividend stocks. By investing in blue-chip [dividend stocks](#), shareholders earn regular dividend income and benefit from long-term capital gains.

Let's see how these five [TSX stocks](#) can earn you \$5,000 in annual dividend income.

TD Bank

One of the largest banks in North America, **Toronto-Dominion Bank** ([TSX:TD](#)) currently offers shareholders a dividend yield of 4.24%. Though the banking sector is extremely cyclical, TD Bank and its Canadian peers have managed to maintain and even increase dividends across market cycles, showcasing the resiliency of the company's balance sheet.

COMPANY	RECENT PRICE	NUMBER OF SHARES	DIVIDEND	TOTAL PAYOUT	FREQUENCY
TD Bank	\$90.65	194	\$0.96	\$186	Quarterly
TC Energy	\$56.79	310	\$0.90	\$279	Quarterly
Enbridge	\$54.27	324	\$0.8875	\$287	Quarterly
Brookfield Infrastructure Partners	\$46.78	376	\$0.4875	\$183	Quarterly
Northwest Healthcare	\$9.98	1,764	\$0.067	\$118	Monthly

In the last 20 years, TD Bank has increased dividends by 10.1% annually, allowing the stock to return 1,000% to shareholders in this period. Despite its outsized gains, TD stock is priced at less than 11 times forward earnings and is forecast to surge by 11% in the next 12 months. After accounting for

dividends, total returns will be closer to 16%.

Enbridge

One of the most popular dividend stocks on the TSX, **Enbridge** ([TSX:ENB](#)) should be on your shopping list right now. ENB stock has a forward yield of 6.5%, and these payouts have increased by 11.1% annually since January 2023.

Equipped with a strong balance sheet, predictable cash flows, and a sustainable payout ratio, Enbridge is poised to outpace the broader market in 2023, despite challenging macro conditions.

Northwest Healthcare

A healthcare-focused real estate investment trust, **Northwest Healthcare** ([TSX:NWH.UN](#)) provides investors a dividend yield of 7.9%. The healthcare REIT offers investors a chance to diversify their portfolio and gain exposure to the real estate and healthcare sectors.

The REIT is part of a recession-resistant sector, making it a solid bet in 2023. Additionally, the stock is trading at a discount of 25% to consensus price target estimates. After accounting for its dividend payout, total returns will be around 33%.

Brookfield Infrastructure Partners

A well-diversified infrastructure company, **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#)) has generated massive wealth for shareholders. BIP stock is up 1,340% since its IPO in 2008, easily outpacing major indices, including the TSX and S&P 500.

Despite an inflationary environment, Brookfield Infrastructure has increased its cash flows by double-digit percentages in the first three quarters of 2022. The stock is currently trading at a discount of 30% compared to consensus price target estimates. Further, shareholders get a dividend yield of 4.2%.

TC Energy

The final stock on the list is **TC Energy** ([TSX:TRP](#)), another Canada-based midstream giant. Similar to Enbridge, TC Energy has a robust balance sheet and offers a forward yield of 6.2%. A majority of TC Energy's cash flows are backed by long-term contracts, which are indexed to inflation, making it immune to fluctuations in energy prices.

The Foolish takeaway

The cumulative TFSA contribution room stands at \$88,000 in 2023. So, if this amount is equally distributed in the five TSX stocks discussed here, you can earn more than \$5,100 in annual dividends. If these payouts are increased by 7% annually, your payouts will double in the next decade.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
4. TSX:TD (The Toronto-Dominion Bank)
5. TSX:TRP (TC Energy Corporation)

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Date

2025/08/14

Date Created

2023/01/31

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