



## Passive Income: How to Generate an Average of \$385 Per Month in a TFSA

### Description

Retirees and other Tax-Free Savings Account (TFSA) investors can now build diversified portfolios of top [TSX](#) dividend stocks that provide attractive yields and steady tax-free passive income.

### TFSA limit 2023

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

All Canadian investors should consider maximizing their TFSA and [Registered Retirement Savings Plan](#) (RRSP) contributions before holding investments in taxable accounts. Younger investors might decide to save RRSP space for later years, when their marginal tax rates are higher, and they can get better reductions on taxable income from the RRSP contributions.

Retirees can save on income taxes and potentially avoid or reduce their Old Age Security (OAS) clawback by generating investment income inside a TFSA instead of inside a taxable investment account.

### Best TFSA investments

Guaranteed Investment Certificate (GIC) rates are now in the 4% to 5% range, depending on the term. This is a good option for investors who want a zero-risk investment.

Another popular TFSA investing strategy involves owning top TSX dividend stocks that offer high yields and have good track records of increasing the distributions. Stock prices can fall, as the market witnessed in the past year, so there are added risks. However, high-quality stocks normally bounce back over time and buying great dividend stocks on dips can boost yields and future totals returns.

The [market correction](#) has made it possible to buy some top TSX dividend stocks at discounted prices.

## 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. The company also has power generation facilities and oil pipelines.

Domestic and international natural gas demand is expected to grow in the coming years. Power producers are switching to natural gas from coal and oil to help reduce emissions. New gas-fired plants will be built to provide back-up power to complement renewable energy that can be unreliable due to changing weather conditions.

TC Energy is working on a \$34 billion capital program that will help boost revenue and cash flow in the coming years. This is expected to support annual dividend growth of 3-5%.

TC Energy's stock is down from \$74 last year to the current price near \$57. Soaring costs on the Coastal GasLink pipeline project are largely to blame for the pullback, but the drop appears overdone. TC Energy sorted out a cost-sharing disagreement with LNG Canada last summer, and the project is now 80% complete.

Investors who buy top stock at the current price can get a 6.3% dividend yield.

## The bottom line on top stocks for passive income

TC Energy is a good example of a quality dividend-growth stock that now trades at a cheap price and offers an attractive yield. TFSA investors can quite easily put together a diversified portfolio of GICs and quality dividend stocks that would provide an average yield of at least 5.25% today.

On a TFSA of \$88,000, this would generate \$4,620 per year in tax-free passive income. That's an average of \$385 per month.

### CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:TRP (TC Energy Corporation)

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