# 3 Attractive Income Stocks for Investors to Hold in a TFSA

## Description

Many Canadian investors hold dividend stocks in their tax-free savings accounts as a way to supplement their income.

This is most common with retirees, but younger investors can also use the TFSA as a way to produce extra cash flow without having to pay taxes on the earnings.



Where should you invest?

The market is full of big-yield stocks, but many of the names are risky right now, and some of the juicy distributions might not survive.

Here are the reasons why I think **Bank of Montreal** (TSX:BMO)(NYSE:BMO), **Telus Corporation** (TSX:T)(NYSE:TU), and **RioCan Real Estate Investment Trust** (TSX:REI.UN) are solid picks in the current environment.

**Bank of Montreal**

Bank of Montreal has paid a dividend to its shareholders every year since 1829. That's a track record investors can rely on, and the trend should continue.

Bank of Montreal is attractive because it offers a way to benefit from the strong U.S. dollar. The bank operates more than 500 branches in the U.S. and recently purchased GE Capital's Transport Finance business, which should boost U.S.-based earnings this year.

Bank of Montreal pays a quarterly dividend of $0.84 per share that yields 4.4%.

**Telus**

Telus is a cash machine, and the company gives a healthy dose of the profits back to investors every year.

Any of the big three players in the Canadian telecom industry would make a good pick, but Telus is the one to go with if you are concerned about the impact of the coming changes to TV subscriptions.

As of March 2016, service providers have to offer consumers a minimum $25 TV package with an option to add additional channels on a pick-and-pay basis. Telus doesn’t have billions of dollars wrapped up in media assets, so it isn’t facing the same content risks as its peers.

Telus pays a quarterly dividend of $0.44 per share that yields 4.7%. The company just raised the dividend by 5% and has increased the payout 12 times in the past five years.

**RioCan**

RioCan currently operates shopping centres in Canada and the United States, but the portfolio is about to change. The company just signed an agreement to sell its 49 American properties for $2.7 billion in a deal that will generate net proceeds of $1.2 billion. Management plans to use the windfall to reduce debt and strengthen the balance sheet for further investments.

Concerns about rising interest rates and a weakening Canadian economy have hit the REIT sector. RioCan has come down with the group, but I think the pullback is overdone.

Rate increases are likely to be small and drawn out, so RioCan should be able to navigate the process without much trouble. As for the economic concerns, RioCan’s core Canadian tenants are large companies that sell recession-resistant products such as groceries, drugs, discount items, and basic household goods. These businesses are capable of riding out an economic downturn, and some might even benefit as shoppers begin to spend more on budget items.



RioCan pays a monthly distribution of 11.75 cents that yields about 6%.

**CATEGORY**

1. Bank Stocks
2. Dividend Stocks
3. Investing

**TICKERS GLOBAL**

1. NYSE:BMO (Bank of Montreal)
2. NYSE:TU (TELUS)
3. TSX:BMO (Bank Of Montreal)
4. TSX:REI.UN (RioCan Real Estate Investment Trust)
5. TSX:T (TELUS)

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