Retirees: 2 Reliable Income Picks for Your TFSA

Description

Many Canadian retirees rely on income from investments to supplement their pension payouts, and most use a TFSA to keep their extra earnings away from the government.

In the past, GICs paid enough that income investors didn't have to take on the risks associated with stock, but the days of high interest rates are long gone and dividends are pretty much the only game in town.

Which companies should income investors buy?

The oil rout has completely wiped out many of the former dividend darlings, and investors can be forgiven for being nervous about buying stocks. Fortunately, there are still some very reliable income picks available that offer safe distributions.

Here are the reasons why I think **Bank of Montreal** (TSX:BMO)(NYSE:BMO) and **Telus Corporation** (TSX:T)(NYSE:TU) are solid picks right now.

Bank of Montreal

Investors often bypass Bank of Montreal in favour of its larger peers, but the company offers a nice mix of low-risk exposure to housing and energy with a balanced revenue stream across several business segments as well as a growing U.S operation.

Energy loans represent just 2% of Bank of Montreal's total loan book, and the Canadian residential mortgage portfolio is more than capable of riding out a downturn in the housing market.

The bank has a strong wealth management division, a robust capital markets group, and the Canadian personal and commercial banking operations continue to perform well despite the headwinds facing the industry.

Bank of Montreal also operates more than 500 branches in the U.S. and recently acquired GE Capital's Transport Financing business. That should boost the strength of the commercial operations and help drive higher earnings in the coming years.

The stock pays a quarterly dividend of $0.84 per share that yields about 4.6%. Shareholders have received a payout every year since 1829.

Investors should view the pullback in the banks as an opportunity to buy, and Bank of Montreal is as good a pick as any of its peers.

Telus

Telus is in a sweet spot in the Canadian communications industry. The company is the fastest-growing business in the sector and boasts the most loyal mobile customers.

That’s a good combination, and it is why the stock has performed so well over the years.

As Canada moves to a new pick-and-pay system for TV subscriptions, the market is concerned that revenues could fall for content producers and service providers. This is why media and communications stocks have been under some pressure.

I think the TV providers will make it difficult for subscribers to reduce their bills without losing their favourite shows. As for the content threats, there is certainly the risk that some channels won’t survive in the new system. Telus does not own any media assets, so that aspect is a non-issue for the stock.

Telus has increased its dividend a dozen times in the past five years. The company generates substantial free cash flow and has an aggressive share-buyback program.

The quarterly dividend of $0.44 per share yields about 4.7%. The dividend is very safe, and investors finally have a chance to buy the stock at a very reasonable price.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:TU (TELUS)
3. TSX:BMO (Bank Of Montreal)
4. TSX:T (TELUS)

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