Retirees: 2 Monthly Income Stocks for Your TFSA

Description

Canadian pensioners are searching for top-quality income stocks to add to their TFSA portfolios.

The strategy makes sense, as any earnings generated inside the TFSA go straight into your pocket. That's right; you don't have to set any aside for the taxman.

Let's take a look at **Inter Pipeline Ltd.** (TSX:IPL) and **Shaw Communications Inc.** (TSX:SJR.B)(NYSE:SJR) to see why they might be attractive today.

IPL

IPL operates natural gas liquids (NGL) extraction assets, conventional oil pipelines, oil sands pipelines, and a liquids storage business in Europe. The diversified businesses have helped the company get through the oil rout in decent shape.

In fact, management has taken advantage of the downturn to add strategic assets at attractive prices, including the purchase of two NGL extraction facilities from **The Williams Companies** for $1.35 billion.

The deal was done at a significant discount to the cost of building the assets, so IPL could see a strong return on the investment when the market recovers.

In addition, IPL has about $3 billion in capital developments under consideration. If the projects go ahead, investors should see a nice boost to revenue and cash flow as early as 2020.

The stock has come down amid the broader pullback in the energy sector and is starting to look oversold.

IPL pays a monthly distribution of 13.5 cents per share for an annualized yield of 6.8%.

Shaw

Shaw is working its way through a major transition.

The company finally decided to enter the mobile phone business last year when it purchased Wind Mobile. The business was renamed Freedom Mobile, and Shaw is working hard to build it into a strong national competitor.

To pay for the deal and help finance the expansion, Shaw sold off its media business as well as its data centre division.

The addition of the mobile business gives Shaw the ability to compete with its peers on a more even playing field. Canadians like to get their TV, internet, and mobile phone services from a single supplier in a bundled offer, and Shaw now has the full package.

The stock pays a monthly dividend of 9.875 cents per share, which translates into an annualized yield of 4.2%.

Is one more attractive?

Both companies provide steady dividends that should be safe.

IPL's yield is higher, and the company probably offers better dividend-growth prospects in the near term, but the stock is also more volatile.

If you want the safer bet, go with Shaw. If you can handle the ups and downs of the energy sector, I would make IPL the first pick today.

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2. Investing

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1. Editor's Choice

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