Retirees: 2 Reliable Income Stocks Yielding 4% for Your TFSA

Description

Canadian pensioners are searching for ways to boost the returns they get on their retirement savings. One strategy involves owning dividend stocks inside a Tax-Free Savings Account (TFSA), where all of the dividends are protected from the tax authorities.

Since its inception in 2009, the TFSA has become an attractive vehicle for Canadian savers, and the total contribution room has now grown to the point where the impact can be substantial. In fact, Canadians who were at least 18 years old in 2009 now have up to $52,000 in TFSA space to hold income-generating investments.

Let's take a look at two reliable dividend stocks that provide a respectable 4% yield.

TransCanada Corporation (TSX:TRP)(NYSE:TRP)

TransCanada closed its US$13 billion acquisition of Columbia Pipeline Group last year in a deal that added strategic assets in the Marcellus and Utica shale plays as well as important pipelines, including infrastructure connecting the Appalachia region of the United States with the Gulf Coast.

The deal also provided a boost to the capital plan, which TransCanada says is about $24 billion.

As the new assets are completed and go into service, TransCanada expects cash flow to increase enough to support dividend growth of at least 8% per year through 2021.

The company is also preparing to make a decision on the Keystone XL mega-project. If Keystone gets the green light, investors could see an upward revision to the dividend guidance.

The current quarterly payout of $0.625 per share provides an annualized yield of 4.1%

Telus Corporation (TSX:T)(NYSE:TU)

Telus offers phone, TV, and internet services to Canadians across the country. Some pundits say the company's lack of a media division puts it at a disadvantage when competing with two of its peers, but Telus appears to be doing just fine.

The company continues to add new subscribers at a healthy clip, and its focus on providing top-quality customer service is showing up in strong retention numbers. In fact, Telus regularly reports the lowest post-paid mobile churn rate in the industry.

The company does a good job of getting its loyal customers to pay more, with blended average revenue per user up for 27 straight quarters on a year-over-year basis.

Telus has a strong track record of dividend growth and is targeting annual increases of at least 7% through 2021.

The current payout provides a yield of 4.2%.

Is one a better bet?

Both companies are industry leaders and should continue to be reliable buy-and-hold picks for a dividend-focused TFSA portfolio.

At this point, I would probably split a new investment between the two stocks. Telus tends to ride out market volatility very well, and TransCanada offers important exposure to the United States.

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