TFSA Income Investors: 2 Top Canadian Stocks With Above-Average Yields

Description

Canadians are searching for ways to squeeze more income out of their savings funds.

This is particularly true when it comes to retirees, who have taken an income hit in recent years due to the plunge in GIC rates.

To obtain higher returns on their savings, many Canadians are buying dividend-growth stocks inside their TFSAs. The strategy makes sense, as any earnings generated inside the TFSA are tax-free.

Let's take a look at **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) and **BCE Inc.** (TSX:BCE)(NYSE:BCE) to see why they might be interesting picks.

Enbridge

Enbridge closed its $37 billion acquisition of Spectra Energy earlier this year in a deal that created North America's largest energy infrastructure company.

Spectra added important gas assets in Canada and the United States and also provided a nice boost to the capital plan.

In fact, Enbridge says it has $31 billion in near-term projects on the go, which should generate enough cash flow growth in the coming years to support annual dividend increases of at least 10% through 2024.

The company has a strong track record of raising the dividend, so investors should feel comfortable with the guidance.

At the time of writing, the stock already provides a yield of 4.9%, so investors who buy today are looking at some decent returns over the medium term.

BCE

BCE also closed an important deal this year when it bought Manitoba Telecom Services.

The purchase moved BCE into the top spot in the Manitoba market and set the stage for an expansion of the company's presence in the western provinces.

BCE is primarily known for its mobile, TV, and internet services, but the company also owns a large media division that holds sports teams, a television network, specialty channels, radio stations, and an advertising company.

When the media assets are combined with the wireline and wireless network infrastructure, you get a powerful business that has the ability to interact with most Canadians on a daily basis.

Any time a person in this country makes a phone call, checks e-mail, watches the news, downloads a movie, or listens to the traffic report, the odds are pretty good that BCE is involved somewhere along the line.

Growth isn't going to shoot the lights out, but BCE generates strong free cash flow to support its generous dividend payments.

The stock currently yields 4.8%.

Is one more attractive?

Both stocks should continue to be top buy-and-hold picks for a TFSA income portfolio.

Enbridge looks a bit oversold right now and probably offers better dividend-growth prospects over the medium term. If you only buy one, I would probably make the pipeline giant the first choice today.

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