TFSA Investors: 2 High-Yield Canadian Stocks to Boost Your Income

Description

Canadians now have an additional $5,500 in TFSA contribution room, and investors are wondering which stocks might be good picks for their tax-free portfolios.

Let’s take a look at **BCE Inc.** (TSX:BCE)(NYSE:BCE) and **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) to see if they deserve to be on your radar.

BCE

BCE bought Manitoba Telecom Services last year in a deal that launched the giant into the top spot in the Manitoba market and gave the company a strong base to expand its presence in the western provinces.

In recent months, BCE also announced its takeover of home-security provider AlarmForce. The deal makes sense, as BCE already has an existing relationship with millions of Canadian homeowners.

In addition, BCE just launched Lucky Mobile, a new low-cost provider of pre-paid mobile phone services.

The new products and services should help BCE grow revenue and support continued dividend increases. BCE already generates adequate free cash flow to pay the distribution.

At the time of writing, the stock provides a yield of 4.8%.

Enbridge

Enbridge acquired Spectra Energy last year in a $37 billion deal that created North America’s largest energy infrastructure company.

Spectra added important gas assets to complement Enbridge’s heavy focus on liquids pipelines and also provided a boost to the capital plan.

Enbridge has more than $30 billion in near-term projects on the go, of which about $22 billion should be completed in the next few years.

As the assets go into service, Enbridge expects cash flow to improve enough to support annual dividend growth of 10%. The company recently raised the payout for 2018 by 10%, and that comes on the heels of a 15% increase last year.

Enbridge has a strong track record of raising the distribution, so investors should feel comfortable with the guidance.

Management is looking to narrow the scope of the company’s operations with a focus on regulated assets and has identified $10 billion in non-core assets that will be sold in the coming years. The first $3 billion will go on the block in 2018.

Proceeds will be used to reduce debt and strengthen the balance sheet.

The stock has recovered some of its lost ground, but it still looks like an attractive pick. At the time of writing, investors can pick up a 5.3% yield.

Is one more attractive for a TFSA?

Both companies should continue to be solid buy-and-hold picks for income investors. Canadians who are looking to build a TFSA retirement portfolio can also benefit by investing the distributions in new shares to take advantage of the power of compounding.

At this point, I would probably split a new investment between the two stocks.

CATEGORY

1. Dividend Stocks
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2. NYSE:ENB (Enbridge Inc.)
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