Retirees: 3 Unloved High-Yield Stocks to Boost Income in Your TFSA

Description

Canadian pensioners are using the Tax Free Savings Account to hold stocks that pay reliable dividends
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The strategy makes sense as the distributions can be collected tax-free, and any funds you do not need to spend can be invested in more shares to take advantage of the compounding process.

Let's take a look at three companies that have long histories of providing steady distributions, but are currently out of favour with the market.

TransCanada (TSX:TRP)(NYSE:TRP)

TransCanada owns natural gas and liquids pipelines in Canada, the United States, and Mexico. The company also has natural gas storage assets and some power-generation holdings.

The negative sentiment toward major pipeline projects has taken a toll on the stocks in the energy infrastructure segment. Companies are certainly finding it harder to get a large pipeline built in Canada and the United States today compared to 20 years ago, but that doesn't mean growth opportunities have disappeared.

In fact, TransCanada has a total of $28 billion in near-term capital projects under development. An additional $20 billion of long-term opportunities, including Keystone XL, could be moved into the development stage, so the future might not be as gloomy as the market thinks.

TransCanada expects earnings and cash flow to rise enough to support ongoing dividend growth of 8-10% per year through 2021. The current payout provides a yield of 5.2%.

RioCan Real Estate Investment Trust (TSX:REI.UN)

RioCan is a shopping mall owner with properties located across Canada. The challenges faced by some traditional retailers, namely department stores, are commonly reported in the media, and RioCan's locations have lost some big tenants in recent years.

However, RioCan gets no more than 5% of its revenue from any single client and demand remains strong for its retail space. In the Q2 2018 report, the committed occupancy was 97%.

RioCan is making good progress on its efforts to monetize non-core properties and boost investment in its mixed-used developments. This should balance out the revenue stream while focusing on the six core markets RioCan has identified as key for the company's long-term strategy.

RioCan pays its distribution monthly. The current yield is 5.9%.

BCE (TSX:BCE)(NYSE:BCE)

BCE has come under some pressure this year, as investors worry that rising interest rates might cause a sell-off in the stock. The company is viewed as a safe-haven place to store money when GIC rates are low. As interest rates rise, the GIC returns improve and can compete for funds with BCE and other go-to dividend names.

At this point, the pullback might have gone too far. BCE is still growing and the company generates strong free cash flow to support the generous dividend. At the time of writing, investors can pick up a 5.8% yield.

The bottom line

TransCanada, RioCan, and BCE all pay distributions that should be safe and offer above-average yield. It takes a bit of a contrarian investing style to buy when these stocks are out of favour, but there is an opportunity to pick them up at reasonable prices and lock in nice returns.

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2. TSX:BCE (BCE Inc.)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)
4. TSX:TRP (TC Energy Corporation)

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