



Retirement Alert: 2 High-Yield Dividend Stocks for TFSA Income Investors

Description

Canadian income investors are using their TFSAs as an effective vehicle for generating earnings to supplement their pension payments.

The strategy makes sense, as any income that is created inside the TFSA is tax-free and isn't counted when the Canada Revenue Agency calculates possible clawbacks on government payouts.

Let's take a look at three stocks that might be interesting picks right now for an income [portfolio](#).

BCE ([TSX:BCE](#))([NYSE:BCE](#))

BCE has regained much of the losses it incurred last year, but more upside could be on the way and investors can still pick up a generous 5.3% yield.

The company posted solid Q4 2019 results and is targeting steady earnings and free cash flow growth. The dividend just increased by 5% and investors should see ongoing annual hikes that are close to that amount.

BCE has a wide moat, supported by its state-of-the-art fibre network that runs straight to millions of Canadian homes and businesses. The company has the power to raise prices when it needs extra cash and the media division is a nice complement to the wireless and wireline operations.

The stock currently trades at \$59 per share, but it could take a run at the previous high near \$63, especially if the market believes the next Bank of Canada move will be a rate cut. Falling interest rates tend to push funds into reliable dividend stocks such as BCE.

Enbridge ([TSX:ENB](#))([NYSE:ENB](#))

Enbridge dipped below \$40 per share last spring amid investor concern about debt levels and long-term growth opportunities.

Savvy investors who bought the stock at that point are sitting on some nice gains and the recent momentum should continue.

Enbridge hit a number of turnaround milestones in 2018, including the repurchase of four subsidiaries. It also negotiated agreements for the sale of close to \$8 billion in non-core assets that were identified through a strategic review the previous year.

Enbridge is focusing its investment and realignment on regulated businesses, which should provide stable and predictable revenue and cash flow in the coming years.

Management increased the dividend by 10% for 2019 and similar hike is on the slate for 2020. Beyond that time frame, the company is forecasting annual increases in distributable cash flow of at least 5%, so distribution growth should continue at a steady clip.

The stock currently trades for \$49 per share and provides a [yield](#) of 6%. Once sentiment improves for the pipeline sector, the stock could head back toward its 2015 high around \$65.

The bottom line

BCE and Enbridge pay reliable and growing dividends that provide above-average yields. The stocks are not as cheap as they were last year but should still be attractive picks for a buy-and-hold TFSA income portfolio.

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