How Canadian Retirees Can Earn an Extra $5K in Passive Income

Description

Canadian retirees are searching for ways to get more mileage out of their savings without having to hand over a portion of their earnings to the tax authorities.

Retirement income can arrive through a number of channels, including company pensions, CPP, OAS, RRSP withdrawals, RRIFs, and taxable investment accounts, as well as from TFSAs. Managing the amounts from the various sources is important, as the government takes the total net world income into account when determining potential OAS clawbacks.

The arrival of the TFSA has certainly helped. Since its inception, the contribution room has grown to $63,500 per person. That means a couple could place $127,000 into their TFSAs and collect tax-free interest, dividends, and capital gains on the funds. The income generated inside the TFSA is not counted toward the clawback calculation, which is helpful for retirees who might otherwise find themselves facing a pension recovery tax. For the 2019 tax year, the minimum income threshold is $77,580.

One way to get decent tax-free income is to own quality dividend stocks inside a TFSA. Let's take a look at three companies that might be interesting picks today.

TD Bank (TSX:TD)(NYSE:TD)

TD generated net profits of about $1 billion per month in fiscal 2018. That's a pretty good business, and while some headwinds are facing the broader banking sector, TD should continue to deliver solid results.

The bank gets the majority of it revenue from steady retail banking operations in Canada and the United States. The American business provides more than 30% of the net income, so there is a hedge in place to help the bank ride out any potential trouble in Canada.

TD has raised the dividend by a compound annual rate of better than 11% over the past 20 years. The current payout provides a yield of 4%.

TC Energy (TSX:TRP)(NYSE:TRP)

TC Energy is the new name for TransCanada. The company decided to make the change to better reflect the nature of its business. TC Energy has a strong presence in Canada, but it also owns pipelines, storage, and power generation assets in the United States and Mexico.

The company's $30 billion development portfolio should ensure solid cash flow growth in the coming years. As a result, management is targeting annual dividend hikes of 8-10% through 2021.

Investors who buy the stock today can pick up a yield of 4.6%.

Telus (TSX:T)(NYSE:TU)

Telus is a major player in the Canadian communications sector with wireless and wireline networks delivering mobile, TV, and internet services to customers across the country.

Telus also has a growing division in the health sector. Telus Health is a leading provider of digital solutions to doctors, hospitals, and insurance companies. The health industry is ripe for disruption and Telus is at the forefront of the changes. The Health division could potentially become a major contributor to the company's revenue and cash flow.

Telus raises its dividend every year, and that trend should continue. The existing payout provides a yield of 4.6%.

The bottom line

TD, TC Energy, and Telus are all reliable dividend-growth names to consider for your TFSA portfolio. An equal investment in each of the three stocks would generate an average yield of 4.4%.,

On a $127,000 portfolio, this would provide annual tax-free income of better than $5,500.

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3. NYSE:TU (TELUS)
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