



2 Top Income Stocks for TFSA Investors Today

Description

Holding [dividend stocks](#) and REITs inside a TFSA is a popular strategy for retirees and other income investors to receive a stream of tax-free payments while also protecting capital gains.

The TSX Index is full of top-quality companies that pay reliable and attractive distributions. Let's take a look at two names that might be interesting picks right now.

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

RioCan is Canada's largest operator of shopping malls. At first glance, the business might not appear to be one that investors would put on the top of their buy lists, but the company is going through a transition that should ensure steady long-term cash flow growth.

RioCan has a number of mixed-use developments on the go that could add as many as 10,000 residential units above retail space in core urban markets over the next decade. The company is already well on its way with the first few buildings and is finding buyers for non-core assets in secondary markets.

At the same time, RioCan's retail tenant base remains diverse with no client representing more than 5% of revenue. When a retailer leaves, RioCan has proven it can fill the space with new companies at higher net rates.

RioCan pays its distribution monthly, which is helpful for investors searching for a regular payout stream to supplement pension income. The current annualized [yield](#) is 5.5%.

Royal Bank of Canada ([TSX:RY](#))([NYSE:RY](#))

Royal Bank is a monster in the Canadian banking industry. In fact is its Canada's largest company with a market capitalization of nearly \$150 billion.

Size has its advantages in a rapidly changing industry where non-bank competitors are taking aim at some of the high-margin revenue streams traditionally held by the banks. Royal Bank is investing heavily in its digital initiatives and is seeing customers migrate to mobile and other online platforms at a steady clip.

Royal Bank earned \$12.4 billion in profits in fiscal 2018 and the fiscal Q2 2019 results showed the trend is continuing this year, despite some headwinds facing the Canadian banking sector.

The bank raises the dividend on a regular basis and investors should see the payout increase in line with expected annual earnings growth of 7-10%. The stock isn't cheap, but you get a top-quality company with a dividend yield of 4% that is about as safe as you will find in the TSX Index.

The bottom line

RioCan and Royal Bank are leaders in their respective sectors and pay reliable distributions that should be attractive for an income-focused TFSA. An investment split between the two stocks would provide a yield of 4.75% today.

CATEGORY

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TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)
3. TSX:RY (Royal Bank of Canada)

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