TFSA Alert: 2 High-Yield Stocks to Boost Pension Income in a Low-Rate Environment

Description

Retirees are searching for top-quality stocks to add to TFSA income portfolios.

The strategy is a wise one given that all distributions paid out by REITs and dividend stocks held inside the TFSA are tax-free. This is a great advantage for seniors who rely on various income streams to cover their living costs.

Let's take a look at two top stocks that might be interesting picks right now for investors to add to their TFSA buy list.

RioCan

RioCan Real Estate Investment Trust (TSX:REI.UN) is Canada's largest operator of shopping malls.

This might seem like an odd recommendation, given the constant reports in the media that online shopping is taking a toll on brick-and-mortar stores. It is true that some segments are under pressure, including large department stores, and RioCan has lost a few high-profile tenants.

However, the company's buildings continue to see strong demand, and new tenants have moved in at higher prices when larger clients left. RioCan's customer base is diverse and no single tenant accounts for more than 5% of revenue.

RioCan knows the industry is changing and has embarked on an ambitious plan to build mixed-use buildings at its core properties in six major markets. Combining retail and residential rental space makes sense, as rising home prices are making it harder for people to buy houses.

RioCan is monetizing up to $2 billion in assets in non-core cities. The funds are being used to shore up the balance sheet, fund ongoing developments, and buy back trust units.

Interest rate hikes are on hold in Canada, and rates are falling in the United States. In addition, bond yields have dropped significantly in 2019. This bodes well for RioCan, as it reduces the company's borrowing costs and should free up more cash for distributions.

Investors who buy today can pick up a yield of 5.5%.

BCE

BCE (TSX:BCE)(NYSE:BCE) is Canada's largest communications company with a market capitalization of $57 billion.

The company is investing heavily in network upgrades to ensure it can meet rising demand for high-speed broadband amid the ongoing growth of streaming services across the internet.

BCE is also ensuring it protects its wide competitive moat by installing fibre connections to homes and businesses in key markets.

The trend toward lower interest rates appears set in stone, as the United States just cut its target rate for the second time in 2019. The Bank of Canada has decided to hold off making a cut, but the more the U.S. moves to the downside, the harder it will be for Canada to stand its ground.

Lower interest rates help BCE in a couple of ways.

First, they reduce the yield available on secure investments, such as GICs, that can compete with BCE's stock for yield-hungry investors. GIC rates are down to about 2% from as high as 3.5% last fall. This is one reason BCE's stock has bounced in 2019, and the negative trend in the interest rate market should support ongoing demand for the shares.

As with RioCan, BCE also benefits from lower borrowing costs when interest rates and bond yields fall. This should mean more money would be available to hand out as dividends to shareholders.

BCE's stock is trading near its 12-month high but still offers an attractive 5% yield.

The bottom line

RioCan and BCE are leaders in their respective industries and pay reliable dividends that offer above-average yield. If you have some cash on the sidelines in your TFSA income portfolio, these stocks deserve to be on your radar today.

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