Retirees: 3 High-Yield Stocks for Passive Income

Description

Canadian seniors are searching for ways to squeeze better returns out of their savings.

One option is to put high-yield dividend stocks inside your TFSA. The distributions are not taxed, and for those who are fortunate enough to have a good combination of company pension, CPP, other income, the TFSA's earnings will not count toward the CRA's calculation when determining potential Old Age Security clawbacks.

Let's take a look at three income stocks that might be interesting picks today.

Pembina Pipeline

Pembina Pipeline (TSX:PPL)(NYSE:PBA) is a large player in the Canadian midstream energy segment.

The company grows through a combination of acquisitions and organic projects. The most recent deal is the $4.35 billion purchase of **Kinder Morgan Canada**. The acquisition is expected to close in the first half of next year and will be immediately accretive to adjusted cash flow.

The board just announced a 5% increase to the monthly dividend to $0.21 per share. This is the second divided hike this year.

Pembina Pipeline has been around for 65 years and operates midstream and energy transportation assets in both Canada and the United States all along the hydrocarbon value chain.

With a market capitalization of $25 billion, the company has the financial clout to make large strategic purchases and can secure the necessary funding for its portfolio of capital projects.

The stock has held up well amid the ongoing volatility in the energy sector, and the dividend provides a 4.8% yield.

Power Financial

Power Financial (TSX:PWF) is a Canadian holding company with interests primarily focused on insurance and wealth management.

Its subsidiaries include some of the best-known brands in Canada, including Investors Group, IPC, MacKenzie Investments, Canada Life, Great-West Financial, and fintech disruptor Wealthsimple.

Power Financial raised the dividend by 5% earlier this year and spent $1.65 billion to buy back 7% of its outstanding common stock. Share buybacks reduce the number of shares outstanding, so remaining shareholders get a larger piece of the profit pie.

The stock price is up about 13% since the middle of August but still appears cheap at just 11 times trailing earnings.

Investors who buy today can pick up a yield of 5.9%.

BCE

BCE (TSX:BCE)(NYSE:BCE) has had a great run in 2019. The stock is up more than 18%, and investors should see the share price continue to see support.

Why?

BCE finds favour when investors can't get good returns from guaranteed investments, such as GICs. The best offer currently available on a five-year GIC is just above 2%, which barely keeps you up to speed with inflation.

The U.S. Federal Reserve has cut interest rates twice this year, and while the Bank of Canada remains on hold, it is widely expected to reduce rates in the coming months.

Lower rates are anticipated for the medium term, and that should bode well for BCE, which borrows a lot of money to build and upgrade its vast communications network infrastructure.

The company raises the dividend by about 5% per year and generates strong free cash flow to support the payments. The current distribution provides a yield of 4.9%.

The bottom line

Pembina Pipeline, Power Financial, and BCE all pay attractive dividends that should continue to grow.

An investment spread across the three stocks would provide exposure to a variety of industries and generate an average yield of 5.2%.

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2. NYSE:PBA (Pembina Pipeline Corporation)
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