TFSA Income Tip: How to Boost Your Monthly Pension by $613

Description

Canadian retirees are constantly searching for ways to get better returns out of their savings without having to pay more tax or risk losing OAS benefits.

One way to increase tax-free earnings is to hold quality high-yield dividend stocks inside a TFSA. The current contribution limit is $63,500 per person and is expected to increase by another $6,000 in 2020.

This gives investors ample room to build a strong portfolio of income stocks. Let's take a look at two companies that might be interesting picks to get you started.

Enbridge

Enbridge gets the majority of its revenue from regulated assets, meaning the cash flow should be relatively predictable and reliable.

The company owns an intricate network of oil and natural gas pipelines in Canada and the United States that connect many of the largest producers to their customers.

Oil and gas production isn't going to go away. In fact, demand for the commodities continues to increase. Oil is not just used to make gasoline for cars, it is also turned into jet fuel, diesel, plastics, lubricants, and asphalt, among other things.

Natural gas is viewed as a clean energy fuel source for homes and businesses, as well as power generation. Enbridge also has a renewable energy group that owns solar facilities and is constructing offshore wind farms in Europe.

Enbridge's $9 billion Line 3 replacement project has faced challenges, but the pipeline should eventually be completed. The company has an additional $10 billion in smaller capital projects that can be fully funded through internal sources.

As the news assets are completed, distributable cash flow is expected to increase by 5-7% per year, which should support ongoing dividend hikes in the same range.

Enbridge appears cheap today at $47 per share. Investors who buy the stock can pick up a 6.3% dividend yield.

RioCan

RioCan Real Estate Investment Trust (TSX:REI.UN) is going through a transition that should ensure the company has a long life of rising revenue and growing distributions.

Management has decided to focus most new investment on mixed-use properties that combine retail and residential space in the same building.

This is a departure from the company's shopping mall history, although the top malls continue to attract tier 1 tenants, even as some of the larger department stores are being shut down due to an inability to compete with online competitors.

RioCan has a strong balance sheet and the recent downward shift in interest rates and bond yields should be positive for the bottom line. REITs use debt to finance their projects and lower borrowing costs translate into more cash available for distributions to unitholders.

RioCan pays its distribution monthly, which is attractive for income investors. The REIT currently provides a yield of 5.4%.

The bottom line

An equal investment in Enbridge and RioCan would provide an average yield of 5.85%, potentially generating an extra $3,683 per year on a $63,500 TFSA portfolio. For a couple, the tax-free income could be $7,366. That's more than $613 per month!

Enbridge and RioCan are just two companies among a basket of high-yield Canadian stocks that would be attractive picks for a dividend-focused TFSA.

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2. TSX:ENB (Enbridge Inc.)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)

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