Retirees: How to Get an Extra $539.75 in Tax-Free Monthly Income

Description

Canadian pensioners are searching for ways to generate more income from their savings.

The challenge has become more daunting in 2019 as falling bond yields and stalled interest rate hikes have resulted in a steep drop in GIC rates. A five-year GIC that paid 3.5% last fall now offers just over 2%.

That's barely going to keep up with inflation, so income investors are turning to dividend stocks and REITs to boost returns.

Let's take a look at two income stocks offering attractive monthly payouts that might be interesting buys for a TFSA portfolio.

RioCan

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

The constant news about large department store chains going bankrupt is concerning for this industry, and RioCan has lost some tenants in recent years, including **Sears** and **Target**.

However, RioCan was able to fill those spots with new renters at even higher fees, and demand remains solid for the company's properties. In the Q2 2019 report, the company said committed occupancy across the entire portfolio was 97.2%.

The largest tenant is a major grocery and drugstore chain and accounts for just 4.7% of total revenue, so the client base is diversified.

RioCan is in the process of monetizing $2 billion in non-core assets as part of a strategy shift that should support steady revenue growth in the coming years. The company is building mixed-use properties in its six core urban markets, with retail and residential space contributing to cash flow.

RioCan pays a monthly distribution of $0.12 per unit for an annualized yield of 5.4%.

Pembina Pipeline

Pembina Pipeline (TSX:PPL) (NYSE:PBA) is a major player in the Canadian and U.S. energy sector, providing transportation and midstream services to oil, gas, and gas liquids producers. The company has a 65-year history in the industry and continues to grow through strategic acquisitions and organic developments.

Pembina recently announced its $4.35 billion purchase of Kinder Morgan Canada and spent nearly $800 million on capital projects in the first half of 2019.

Pembina Pipeline is attractive due to its diversified business units with assets spanning the full spectrum of the hydrocarbon value chain. It operates pipelines, natural gas gathering and processing facilities and is building an export terminals business, as well as a new polypropylene plant that turns propane into raw-material plastics.

The board raised the monthly dividend twice this year from $0.19 to $0.21 per share, and ongoing hikes should continue as new assets drive revenue and cash flow growth.

Investors who buy today can pick up a 4.8% dividend yield.

Pembina Pipeline's share price has held up well during the difficult times in the energy sector, and its size and strong balance sheet give it an advantage when opportunities arise to buy attractive assets that fit well into the existing portfolio of businesses.

Pembina Pipeline has a market capitalization of $25 billion. It is big enough to make large acquisitions but also in a range where it could become a takeover target for one of the industry giants.

The bottom line

The cumulative TFSA contribution limit is as much as $63,500 per person in 2019. That's $127,000 for retired couples who are seeking to maximize tax-free returns from their savings.

An equal investment across RioCan and Pembina Pipeline would produce an average yield of 5.1%, or $6,477 per year. That's an extra $539.75 per month!

A number of other TSX Index stocks are also worth considering for retirees.

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