2 Top Dividend Stocks for Retirees to Avoid OAS Clawbacks

Description

Pensioners who are collecting Old Age Security are searching for ways to boost their retirement income without putting their OAS payments at risk.

The CRA implements a pension recovery tax once a recipient's net world earnings surpass a certain level. In the 2019 tax year, the magic number is $77,580. Any income above that level triggers a 15% OAS clawback until you hit $126,058, which would wipe out the OAS pension completely.

The minimum threshold might seem like a high amount, but retirees who receive a generous company pension, full CPP, and RRIF payments can quite easily hit that level.

One way to earn more money on your savings without being hit with the claw back is to generate the funds inside a Tax-Free Savings Account (TFSA) The TFSA protects all interest, dividends, and capital gains from being taxed and none of the income counts toward the calculation for the OAS clawback.

Let's look at two high-yield stocks with growing dividends that might be interesting picks right now for your TFSA income fund.

BCE

BCE (TSX:BCE)(NYSE:BCE) has always been popular with retirees. The communication giant has a long track record of steady and reliable dividend growth and historically provides above-average yield.

With a market capitalization of $57 billion, BCE has the size and financial clout to make the investments required to ensure it continues to offer state-of-the art broadband and other communication services.

The company's fibre-to-the-premises initiative is but one example where BCE is spending money to connect homes and businesses to the fibre-optic network. This helps retain clients and extends the wide moat around the business.

BCE reported solid Q2 2019 results. Adjusted earnings per share increased 9.3% compared to the same period last year and free cash flow jumped 10%.

BCE raised the dividend by 5% for 2019 and a similar increase should be on the way next year as free cash flow growth is on track to hit the 7-12% guidance. BCE currently offers a yield of 5%.

TC Energy

TC Energy (TSX:TRP) is a leading player in the North American energy infrastructure industry, with oil, natural gas, and gas liquids pipeline networks running across Canada, the United States, and Mexico.

TC Energy also has power generation assets and natural gas storage facilities.

The company gets more than 95% of its comparable EBITDA from long-term contracts or regulated businesses, which means cash flow should be relatively predictable and reliable. Total assets now stand at $100 billion.

The $32 billion secured capital program is attractive for investors, as it indicates a clear growth path. TC Energy is working on $20 billion in projects that are already under development.

Annual dividend growth is targeted at 8-10% through 2021. This should continue beyond that time frame as the company unveils additional organic projects.

TC Energy is also large enough to make strategic acquisitions, as it did with the US$13 billion purchase of Columbia Pipeline Group in 2016.

TC Energy has a market capitalization of $64 billion. Investors who buy the stock today can pick up a 4.4% dividend yield.

The bottom line

BCE and TC Energy have strong track records of dividend growth and provide attractive yield for income investors. If you're searching for solid stocks to add to a TFSA dividend portfolio, these companies deserve to be on your radar.

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Date
2025/08/24
Date Created
2019/10/01
Author
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