TFSA 101: 3 Dividend Stocks for Retirees Who Want to Avoid OAS Clawbacks

Description

Canadian pensioners are searching for ways to squeeze more earnings out of their savings without putting their Old Age Security payments at risk.

The government adds up your total net world income when deciding whether to impose an OAS clawback. The threshold for the 2019 income year is $77,580.

Any taxable income earned above that level will trigger a pension recovery tax equal to 15% of the amount earned above the limit. The clawback effectively wipes out the OAS once your income goes above $126,058.

The limit might seem like a lot of money, but it doesn't take long to hit the threshold if a person receives a decent company pension, CPP, OAS and other income such as RRSP withdrawals or RRIF payments.

One way to avoid the OAS clawback is to generate income from TFSA holdings. The government allows interest, dividends, and capital gains to be accrued tax-free inside the TFSA, and any funds taken out of the account are not considered when the net world income is calculated.

Let's take a look at three reliable dividend stocks that might be interesting TFSA picks.

BCE

BCE has been a favourite holding among retirees for decades and that trend is likely to continue.

The company doesn't shoot the lights out on the growth side, but delivers a slow and steady increase in profits and is able to support decent dividend growth through rising free cash flow.

BCE has a wide moat that it takes care to protect. Investing billions of dollars to bring fibre-optic connections right to the door of its customers is one way BCE can control the physical access to its subscribers.

The company is one of only a few companies large enough to fund the fibre projects, thus ensuring it remains a leader in the industry.

BCE's current dividend provides a yield of 5%.

TD

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is a giant in the Canadian financial sector. It is also a major player in the United States.

The company's American operations now contribute more than a third of total profits, giving investors some protection against a potential downturn in Canada, while also providing good exposure to the U.S. through a top Canadian stock.

TD has raised its dividend by a compound annual rate of roughly 11% over the past 20 years and continues to earn impressive profits. The current payout provides a yield of 3.9%.

TC Energy

TC Energy (TSX:TRP)(NYSE:TRP) is the new name for TransCanada.

The company is a major player in the North American energy infrastructure industry with pipelines, storage, and power generation assets located in Canada, the United States, and Mexico.

TC Energy's $30 billion capital program should support ongoing dividend hikes of 8-10% per year through at least 2021. The company has the size and financial clout to make strategic acquisitions and new development projects should emerge across the asset base in the coming years.

The dividend provides a yield of 4.4%.

The bottom line

BCE, TD, and TC Energy are all top companies that should continue to be solid buy-and-hold picks for retirees aiming to generate tax-free passive income from their TFSA portfolios.

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