TFSA Pension: How to Keep the CRA Away From Your Retirement Earnings

Description

Canadian retirees are facing an uphill battle when it comes to finding ways to maintain their lifestyles.

A recent report put out by the University of Guelph and Dalhousie University suggests food prices could increase by as much as 4% in 2020.

Getting something fixed at the house is no longer cheap, either. Most repair professionals want at least $100 just to stop by to evaluate the situation. Having a mechanic take a peek at the car runs you $80-100 per hour as well.

As a result, retirees are searching for ways to increase their income without paying more taxes. One way to meet that objective is to hold dividend stocks inside a TFSA.

Beginning in 2020, each Canadian pensioner will have as much as $69,500 in TFSA contribution space. The TFSA protects all interest, dividends, and capital gains from the tax authorities, so you can create an income stream that won't impact your current tax rate or put OAS payments at risk.

Let's take a look at two dividend stocks that might be interesting picks today.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) plays a key role in the transportation of oil, natural gas, and gas liquids in Canada and the United States. The company's vast pipeline infrastructure is essentially a toll booth.

The majority of the assets are regulated businesses, meaning the revenue streams and cash flow should be reliable and predictable.

Enbridge grows through strategic acquisitions and internal developments. With a market capitalization of $100 billion, Enbridge is large enough to be a leader in the consolidation of the energy infrastructure sector.

The company is working on $18 billion in projects that should support a 10% dividend increase in 2020 and ongoing hikes of 5-7% in the medium term. The stock has bounced off the 2019 lows but still appears reasonably priced.

Investors who buy today can pick up yield of 5.8%.

Telus

Telus (TSX:T)(NYSE:TU) is a major player in the Canadian communications industry with wireless and wireline networks providing mobile, internet, and TV services.

The company's other businesses are also of interest. Telus International just announced a $1 billion deal to buy Germany-based Competence Call Center (CCC), a provider of value-added business services focused on customer relationship management and content moderation.

Telus says it is targeting an IPO of Telus International in the next two years. Once the CCC deal is completed, the division will have an enterprise value of abut $5 billion.

Telus Health is another operation to watch inside the Telus family. The group is a leader in providing digital solutions to the Canadian healthcare sector. The health industry is going through rapid changes, as it looks to improve customer care and the secure sharing of data among doctors, hospitals, and insurance companies.

Telus has a strong track record of dividend growth. The current payout provides a yield of 4.6%.

The bottom line

An equal investment between Enbridge and Telus would provide an average yield of 5.2%. This would generate $7,228 per year in tax-free income for a couple on combined TFSA funds of $139,000, beginning in 2020.

Diversification is always recommended and the TSX Index has many top stocks that offer similar dividend yields.

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