Income Investors: 2 High-Yield Stocks to Generate $362 per Month in a TFSA in 2020

Description

Canadian are using dividend stocks to boost returns on their hard-earned savings.

The launch of the TFSA in 2009 created a new saving vehicle that Canadian residents can use to maximize their investment income without having to share the proceeds with the government.

This is a huge advantage for all investors who might otherwise have their funds invested in taxable accounts.

Although the TFSA limit started out small, it continues to grow each year. In 2020, the limit will increase by $6,000, putting the cumulative space at $69,500. That's enough room to create a tidy passive income stream that can go straight into your pocket.

Let's take a look at two top dividend stocks that provide above-average yield and have strong track record of increasing the payouts.

BCE

BCE (TSX:BCE)(NYSE:BCE) is widely known as the grandma and grandpa stock due to its history of being a popular pick among income-seeking retirees.

That hasn't changed, as the company continues to churn out solid free cash flow that support its generous distributions. BCE tends to raise the dividend by about 5% per year and the current payout provides a yield of 4.9%.

Rapid changes in the communications industry have customers demanding access to content across multiple platforms on a 24/7 basis. People watch movies at home, stream videos on their mobile phones while commuting, and use tablets to display content using the internet at school and work.

As a result, BCE is investing billions of dollars to update its mobile and wire line networks to make sure it keeps up with rising needs for high-speed broadband.

The firm’s media division is a valuable source of content. BCE owns sports teams, a television network, specialty channels and radio stations, which means it has a capability to interact with most Canadians on a regular basis.

Growth comes from acquisitions and new product opportunities that emerge through technological change. Home monitoring and security is one area that could become a huge revenue source for BCE.

IPL

Inter Pipeline (TSX:IPL) is considered a bit of a contrarian pick right now.

The stock has fallen out of favour with investors in the past couple of years as a result of weak sentiment toward anything connected to the Canadian energy patch and the company’s ambitious $3.5 billion Heartland Petrochemical Complex.

The market might be concerned about the balance sheet as IPL takes on debt to complete the capital program. Management addressed the issue in the summer, saying IPL is looking at a possible sale of its bulk liquids storage business in Europe to help fund the Heartland project.

If a deal is announced, the stock could catch a nice tailwind.

In the meantime, the dividend should be safe. Cash flow is adequate to cover the payout and investors who buy today can pick up a yield of 7.6%. The board didn’t raise the dividend in 2019, but bumped it up annually in the 10 previous years.

Once the Heartland facilities are up and running in late 2021, investors could see a resumption of dividend growth.

The bottom line

An even investment between BCE and IPL would provide an average yield of 6.25%, generating $4,343.75 per year in tax-free dividends, or about $362 per month.

A balanced portfolio is normally recommended and the TSX is home to several high-yield stocks with reliable dividends.

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