TFSA Income Investors: 2 Top Dividend Stocks to Own for 25 Years

Description

Retirees are searching for low-stress stocks they can add to their TFSA income fund and simply forget about for two or three decades, while they sit back and collect all the tax-free payments.

The TFSA contribution limit will increase by $6,000 in 2020, bringing the cumulative total to $69,500 per person. That's enough space to build a solid income portfolio that can generate reliable distributions to help cover rising living costs without risking an OAS clawback.

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

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) is Canada's oldest financial institution and has the longest-running dividend in the TSX Index. In fact, shareholders have received a dividend every year since 1829. That's 190 straight years of payouts to investors.

Whether or not the streak can continue for another two centuries is up for debate, but today's retirees only need it to continue for a few more decades, and that should be the case.

The bank has done a good job of keeping up with the times over the years and has diversified its revenue stream.

The commercial banking operations are particularly strong, along with personal banking, wealth management, and capital markets groups. The Canadian business is best known to investors, but Bank of Montreal also has a large presence in the United States. BMO Harris Bank has grown through acquisitions over the years and now has roughly 500 branches serving customers mainly located in the Midwest States.

The Bank of Montreal board recently increased the quarterly dividend by $0.03 to $1.06 per share. That's up 6% in the past year.

Fiscal Q4 results were solid, with adjusted net income up 5% over Q4 2018. The Canadian banks have faced some headwinds in 2019 with falling interest rates hitting net interest margins and provisions for credit losses rising on more customers falling behind on their payments.

Overall, however, Bank of Montreal is still a very profitable company. It reported adjusted net earnings of $6.25 billion for all of fiscal 2019, up 4% on an year-over-year basis.

At the time of writing, investors can pick up a 4% dividend yield.

TC Energy

TC Energy (TSX:TRP)(NYSE:TRP) is the new name for TransCanada. The board made the change this year to better reflect the company's overall operations that are located in Canada, the United States, and Mexico.

TC Energy is best known for its extensive natural gas pipeline business, but it also has liquids pipelines, power generation, and natural gas storage assets.

Growth comes from acquisitions and development projects. The current $30 billion capital program is the largest in the sector and should drive ongoing cash flow growth to support annual dividend increases of 8-10% in the next few years. Additional projects could extend the guidance, and TC Energy has the financial firepower to make strategic acquisitions when opportunities arise.

Low interest rates bode well for the stock, as they reduce borrowing costs and can free up more funds for distributions. The company gets most of its revenue from regulated assets, meaning the cash flow should be reliable and predictable.

The stock offers a 4.4% yield and could see a nice bounce if the Keystone XL pipeline project gets completed.

The bottom line

Bank of Montreal and TC Energy are top companies with reliable dividends that should continue to grow.

If you are searching for sleep-easy stocks to add to a TFSA income portfolio, these companies deserve to be on your radar.

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aswalker