OAS Concerns? 1 Top Green Energy Stock to Buy Now for a TFSA

Description

When it comes to retirement investing, one way to avoid the 15% Old Age Security (OAS) clawback is to pack stocks in your Tax-Free Savings Account (TFSA). Buying stocks for a TFSA built around retirement income requires a small amount of number crunching. However, it doesn't have to be stressful, so long as CPP investors stick to just a few golden figures when building retirement wealth.

As the minimum income recovery threshold, $79,054, is the main figure to keep an eye on this year. Between that mark and the maximum income recovery threshold of $128,137, 15% is skimmed as pension recovery tax. By utilizing their TFSAs, pensioners can enjoy a little more income. Packing that extra $6,000 per year can make all the difference to a long-range retirement plan.

A green power play for a TFSA

The thesis for green investing is strong and getting stronger every week, as major corporations jump on the bandwagon. The push towards renewable sources of energy is no flash in the pan, though. A trillion-dollar sea-change in power production is already underway and represents one of the biggest — if not the single biggest — global growth megatrends.

Northland Power (TSX:NPI) is a smart way to tap into this trend. Its 4% yield is suitable for TFSA investing and can form part of a balanced spread of super Canadian stocks spread across key sectors. When combined with other key assets, such as banking, real estate, and natural resources such as metals and mining stocks, an investment in renewables can add stabilizing diversity in an international growth sector.

Divestiture of fossil fuels from funds could have some big names in energy going in decline the years ahead. By contrast, Northland Power is on a steep upward trajectory, meaning that while the stock is technically on the expensive side (see a price-to-book ratio of 7.6 times book), investors can also pack upside potential into their green power portfolios.

Northland Power utilizes clean-burning natural gas and green power resources including wind, solar, and biomass to generate electricity, making for a naturally defensive pick. While there is likely still some income to be squeezed from the oil patch, as a buy-and-hold strategy, renewables can offer the growth of a rapidly changing, highly defensive sector to low-risk investors.

Value, capital gains, peace of mind, the prospect of high growth — all of these are on offer here, plus that reasonably tasty dividend is just right for investors making careful contributions to an RRSP, TFSA, or other retirement plan. If time is of the essence, Northland Power ticks boxes there, too: With total returns of 128% expected within five years, this strongly diversified energy stock packs capital growth as well as accumulating passive payments.

The bottom line

Northland Power is a top Canadian player in the green energy megatrend and a strategic buy for a retirement-focused TFSA. From the simple resilience of green energy when faced with market uncertainty to the breakout growth of the broader green economy, a retirement investor can glean strategic benefits from a long-range, low-risk renewables play.

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