TFSA Dividend Investors: 2 High-Yield Stocks to Increase Tax-Free Income

Description

Canadian retirees and other income investors are constantly searching for reliable dividend stocks to help put some extra cash in their pockets.

Let's take a look at two high-yield stocks that might be interesting picks right now for a TFSA income portfolio.

IPL

Inter Pipeline (TSX:IPL) operates oil sands pipelines, conventional oil pipelines, and natural gas liquids (NGL) processing assets in Canada. The company also has a bulk liquids storage business in Europe with 23 terminals providing 37 million barrels of storage capacity in several countries, including the U.K., Ireland, Denmark, Germany, Sweden and the Netherlands.

The stock price is down amid concerns that the company might have to take on too much debt to complete its capital projects, including the $3.5 billion Heartland Petrochemical Complex.

The facility will turn cheap propane into plastics used for manufacturing a wide range of products and is targeted for completion in late 2021.

In 2019, IPL indicated that it was considering selling the European operations to help fund the Canadian developments. While that's still a possibility, IPL won't sell unless it gets a reasonable price for the assets.

The company's payout ratio through the first three quarters of 2019 was about 80%, so the dividend should be safe. In the event that IPL announces a sale of the European division, the stock could catch a nice lift.

Another possibility is a takeover. The company reportedly refused an offer for as much as $30 per share last year. At the time of writing, IPL trades for less than $22.

Investors who buy today can pick up an attractive 7.8% dividend yield and potentially realize a nice gain on any news of an asset sale or a buyout bid.

BCE

BCE (TSX:BCE)(NYSE:BCE) is a leader in the Canadian communications industry with assets spanning the country. The company's reach gives it the ability to connect with most Canadians on a daily basis.

When Canadians send a text, call a friend, check e-mail, stream a movie, download a song, listen to the radio, watch TV, or shop online, the odds are pretty good that BCE is involved somewhere along the line.

The company's wire line and wireless networks provide TV, internet, and mobile services. The media assets, which include a television network, specialty channels, sports teams, and radio stations deliver popular content.

BCE is investing billions of dollars to upgrade its network infrastructure to ensure it meets customer demand for high-speed broadband and is running fibre optic lines right to the premises of residential and commercial clients, giving BCE a competitive edge and helps retain customers.

BCE pays a generous dividend that's adequately supported by rising free cash flow. The current payout provides a yield of 5%.

Low interest rates are expected to remain in place for some time, which should benefit BCE. Reduced borrowing costs make more cash available for distributions and unattractive rates on GICs drive investors toward reliable dividend stocks, such as telecoms and utilities steady revenue streams.

The bottom line

IPL and BCE offer above-average dividends that should be safe. An equal investment between the two stocks would generate an average yield of 6.4%. That's a lot higher than the 2% you get on a GIC right now from the big Canadian banks.

Diversification is always recommended, and the **TSX Index** has a number of reliable high-yield stocks that TFSA investors can buy to help boost their income.

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