TFSA Alert: 2 Top Canadian Income Stocks for Retirees

Description

Canadian pensioners are searching for reliable dividend stocks to hold inside their TFSA income portfolios.

The strategy makes sense, especially for people who receive Old Age Security (OAS) and are concerned they might be hit with clawbacks if their income breaches the CRA's minimum threshold. Any earnings generated inside the TFSA are tax-free and not counted toward income that is used to calculate the potential OAS pension recovery tax.

Let's take a look at two reliable dividend stocks that should continue to raise the payout at a steady pace.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a top Canadian utility company with more than $50 billion in assets located in Canada, the United States, and the Caribbean.

The businesses primarily operate in regulated sectors, and that tends to mean the revenue is predictable, and the cash flow needed for distributions is reliable. Fortis owns power generation, electric transmission, and natural gas distribution facilities and networks.

These might not be as exciting as marijuana producers, but income investors are searching for quality dividend streams, not high-risk bets on a still-untested new market.

Fortis has raised the dividend for 46 straight years. The management team expects the current $18.3 billion capital program to boost the rate base and increase cash flow enough to support average annual dividend hikes of 6% through 2024. Additional projects across the asset base are being evaluated and would likely extend the guidance.

Fortis provides a 3.3% yield. This is lower than what you can get from the banks, but the stockarguably comes with less risk in the event we are headed for an economic downturn.

Telus

Telus (TSX:T)(NYSE:TU) is another dividend star that investors can buy and stick in a balanced income portfolio for years.

The communications company has a long track record of raising its dividend twice per year, and the average annual increases tend to be in the 8-10% range.

Telus has the financial might to make the investments needed to stay competitive and ensure it delivers world-class mobile, TV, and internet services to its residential and commercial clients. Telus is known for its focus on customer service and regularly reports the industry's lowest postpaid mobile churn rate. Acquiring new customers is expensive, so it is important to keep them happy once they have signed up for the various services.

Telus doesn't have a media division, but the decision to avoid the temptation to invest billions of dollars in sports teams and television assets hasn't hurt the company. Instead, Telus is focusing its efforts on its Telus Health group. The health industry is going through a digital revolution and Telus Health is a leader in providing Canadian doctors and hospitals with digital solutions.

In time, the Telus Health division could become a significant contributor to revenue growth and rising profits.

The current dividend provides a yield of 4.3%.

The bottom line

Fortis and Telus are reliable dividend stocks that should be solid picks for a balanced income portfolio.

The era of stagnant or falling interest rates is expected to continue for some time, and that bodes well for these companies. Falling debt costs free up cash for distributions, and unattractive GIC rates keep investors hungry for low-risk dividend payers.

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