OAS and CPP Pensions Not Enough: 3 Dividend Stocks for TFSA Income

Description

Retirees are searching for ways to increase their income without being hit with higher taxes by the Canada Revenue Agency.

One way to put more money in your pocket is to hold dividend stocks and REITs inside a Tax-Free Savings Account (TFSA). Let's take a look at three income stocks that might be interesting picks right now for your TFSA portfolio.

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Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) has a strong track record of dividend growth, and the company's investments in Latin America should help drive revenue and profits higher in the coming years.

Bank of Nova Scotia owns banks and credit card portfolios in Colombia, Mexico, Peru, and Chile. The four countries make up the Pacific Alliance trade bloc that was set up to promote the free movement of goods, capital, and labour among the partner members. With a combined population base of more than 225 million, the bloc is an attractive market for Bank of Nova Scotia to capitalize on a growing middle class.

The international operations account for about 30% of total profits, providing a nice balance to the Canadian banking and wealth management operations.

The current dividend provides a yield of 4.8%.

RioCan

RioCan Real Estate Investment Trust (TSX:REI.UN) is best known for being an owner and operator of shopping malls across Canada. The regular stream of media headlines announcing retail bankruptcies might scare investors away from RioCan. The company has definitely lost some customers, and more will likely go bust, but demand for its retail space remains strong, and RioCan has a diverse revenue base.

The company receives no more than 5% of revenue from a single client. In addition, RioCan is working through a strategy shift that includes monetizing up to $2 billion in non-core assets and investing in mixed-use retail and residential developments in six core Canadian markets.

RioCan pays its distribution monthly, which is bonus for retirees who are seeking out steady income. The current payout provides a yield of 5.2%.

Low interest rates and declining bond yields are likely here to stay. This bodes well for RioCan as the company can borrow funds at reduced rates, potentially increasing cash available for distributions.

IPL

Inter Pipeline (TSX:IPL) owns oil sands pipelines, conventional oil pipelines, and natural gas extraction assets in Canada. The company grows through a combination of acquisitions and development projects.

The current $3.5 billion Heartland Petrochemical Complex is on target for completion in 2021. This should boost average annual EBITDA by at least $450 million and help support the dividend.

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IPL is considering the option of selling its European operations to fund the Canadian development program. The company owns bulk liquids storage facilities in a number of countries, and a sale would make the market more comfortable with the balance sheet through the completion of the Heartland project.

At the time of writing, the stock provides a 7.9% dividend yield. This is in the range often cited at being at risk. IPL’s payout ratio was 87% in Q3 2019 and 80% for the first nine months of last year, so the distribution should be safe.

IPL kept the dividend the same in 2019 after raising it for 10 straight years.

The bottom line

Bank of Nova Scotia, RioCan, and IPL all pay attractive distributions that provide above-average yields. If you are searching for income picks for a TFSA portfolio, these stocks deserve to be on your radar.

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2. TSX:BNS (Bank Of Nova Scotia)
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