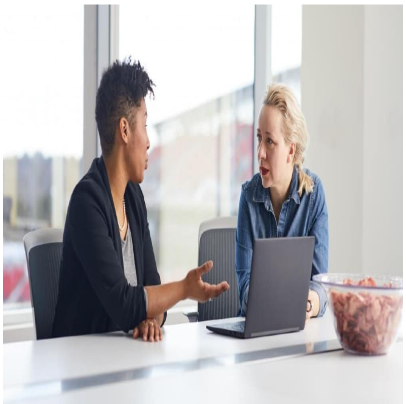

Retirees: How to Use the Market Crash to Boost Income and Avoid CRA Taxes

Description

The stock market crash knocked 34% off the value of the **TSX Index** over the past month.

The short-term impact on portfolios is severe, and ongoing volatility should be expected until the market sees clear evidence the coronavirus outbreak has peaked.

default watermark

That said, there is a silver lining for Canadian income investors.

Market crash overview

The sudden arrival of the 2020 market plunge caught most investors by surprise.

Everyone knew the bull market was long in the tooth and that a market correction was due. However, nobody predicted it would arrive as a result of a global pandemic. The spread of the coronavirus globally is going to hit economic activity severely in the near-term. Companies are laying off workers and people and businesses need cash in short order.

Canada already announced initial measures to help the country navigate through the downturn.

Unemployment aid and deferred tax payments are part of the first $82 billion in assistance. Bailouts for the hardest hit industries are on the way.

The plan to purchase up to $50 billion in mortgages will help banks keep lending. In the coming days, investors should see additional programs to support struggling businesses and measures to ensure liquidity in the financial markets.

South of the border, the latest word from the treasury secretary indicated that the American government is putting together up to US$4 trillion in financing aid for businesses.

Opportunity

Buying during a steep downturn can produce great dividend yields on the initial investments and position a portfolio for attractive capital gains once the market rebounds. Top stocks with strong track records of revenue growth, rising profits, and dividend hikes deserve to be on the radar of Canadian retirees.

The government stimulus measures should stabilize the economy while the outbreak occurs. Once calm is restored, we could see strong economic growth. The share prices of top Canadian companies appear oversold today and might recoup their losses quickly.

Income investors now have an opportunity to get above-average yields from industry-leading companies that provide essential services to consumers and businesses.

TFSA advantage

Buying top income stocks inside a Tax-Free Savings Account (TFSA) is one way to boost retirement income on savings while avoiding additional taxes. The full value of the dividends can go right into your pocket and the earnings are not counted by the CRA when income is calculated for potential OAS clawbacks.

default watermark

Let’s take a look one top Canadian dividend stock that looks attractive right now and might prove an interesting pick for a diversified TFSA income fund.

BCE

BCE is a long-time favourite among retirees, and it’s easy to understand why that’s the case. Income investors like the stock for its steady and reliable dividends.

The operations are located in Canada and BCE’s mobile and internet services are essential tools for consumers and businesses. The company could even see a surge in revenue during the coronavirus outbreak. Broadband use is rising significantly with tens of thousands of people are working from home and kids out of school.

Subscriptions for streaming services could rise during the coming weeks and months, and many people will keep those services once the economy returns to normal.

Companies might also realize that they can operate efficiently and at lower costs with employees working from home. Video conferences are effective for touching base with staff and office space is expensive.

All of this points to strong demand for BCE’s services.

Recent cuts to interest rates and declining bond yields also bode well for BCE. The company uses debt to fund capital programs and lower borrowing costs should make more cash available for shareholders.

BCE currently trades at $52 per share compared to $65 in February. The stock appears oversold, and investors who buy today can pick up a 6.4% yield. BCE raised the distribution by 5% in 2020 and ongoing increases should be in line with growth in free cash flow.

The bottom line

The market crash is providing retirees with an opportunity to buy top dividend stocks at very cheap prices.

The TSX Index is home to many oversold Dividend Aristocrats that deserve to be on your radar for an income-focused TFSA portfolio.

CATEGORY

1. Dividend Stocks

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

default watermark

Category

1. Dividend Stocks

Date
2025/07/29
Date Created
2020/03/23
Author
aswalker

default watermark