Retirement Income: 2 Top Dividend Stocks for a TFSA Pension Portfolio

Description

The 2020 market crash hit like a bolt of lightning.

In February, the **TSX Index** traded near 18,000. A few weeks later, it sat just above 11,200. The subsequent rebound already added as much as 2,000 points since March 23. As with previous market corrections, the downturn is providing income investors with great opportunity to put cash to work.

TFSA investing

Seniors receive income from a variety of sources, such as pensions, CPP, OAS, and RRIF payments. These are taxable streams that the CRA uses to determine net world income.

When income tops a minimum threshold, a pension recovery tax kicks in on OAS payments. The target number for the 2020 tax year is $79,054. If your income will be close to this amount, the TFSA can be a helpful tool.

How?

The TFSA protects all interest, dividends, and capital gains from being taxed, and the CRA won't use earnings from the TFSA to calculate potential clawbacks on OAS payments. In 2020, the cumulative contribution space is as high as $69,500 per person.

Not all retirees spend the full amount of their after-tax earnings, so the TFSA provides a way to invest the extra funds and get additional income that won't bump you into a higher tax bracket.

Let's take a look at two top dividend stocks that might be attractive picks right now for a TFSA income fund.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a leading energy infrastructure company. Revenue primarily comes from regulated assets and long-term contracts. This means cash flow should be reasonably predictable and reliable, even when oil markets are in turmoil.

The company is advancing $11 billion in secured capital projects to drive growth in distributable cash flow. This should provide ongoing support for the dividend through the economic downturn. Management sold about $8 billion in non-core assets in recent years to shore up the balance sheet. As a result, the company should be able to self-fund the capital program, so investors aren't faced with large dilutive share sales.

Enbridge operates pipeline networks that are key to the smooth operation of the Canadian and U.S. oil and gas industries. Changing oil prices have limited direct impact on revenue. The natural gas distribution businesses provide essential fuel for companies and homes.

In addition, Enbridge has a growing renewable energy group that produces power.

The stock appears oversold right now. Investors who buy at the current price of $40 can pick up a solid 8% yield.

Telus

Telus (TSX:T)(NYSE:TU) is once of Canada's top communications operators, providing essential wireless and wireline services to businesses and residences across the country.

The lockdowns have forced a large part of the country to work from home. This is leading to a surge in broadband demand. Telus could surprise investors with a revenue boost driven by mobile and internet plan upgrades and new subscriptions to TV services.

The company also has a health division that provides critical services to doctors and hospitals. Telus Health is leading provider of digital solutions to the Canadian health industry. The group was already a leader in the industry before the coronavirus pandemic and could see strong demand for its service through the pandemic and beyond.

Telus is one of Canada's top dividend-growth stocks. The current payout offers a yield of 5%. The share price looks very cheap today due to the recession-resistant nature of the business lines.

The bottom line

Pensioners can take advantage of the market crash to add top dividend stocks to their TFSA portfolios. Telus and Enbridge now offer attractive yields on distributions that should be very safe.

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