



## Pensioners: 2 Steady Dividend Stocks for a TFSA Income Fund

### Description

Canadian retirees are searching for reliable dividend stocks to add to their [TFSA](#) portfolios.

### TFSA benefits

The TFSA arrived in 2009 and now provides cumulative contribution room of up to \$69,500 per person. The contribution limit increased by \$6,000 in 2020 and should increase by the same amount in 2021.

Any income generated inside the TFSA remains beyond the reach of the CRA. This is important for seniors on two fronts. First, the earnings on investments do not bump retirees into a higher tax bracket. Second, the CRA won't count any TFSA gains toward the net world income calculation used to determine OAS clawbacks.

Contributing to a TFSA might be low on the priority list for many Canadians in the current economic environment.

Retirees, however, continue to receive company pensions, OAS, CPP and RRIF payments. In many cases, they do not spend the full after-tax amount and use the TFSA as a place to hold the extra funds.

### Where to invest TFSA cash?

GICs protect capital, but the best rates offered by the Canadian banks rate now are below 2%.

Top-quality [dividend stocks](#) come with risk, as we have seen in the past two months, but they also offer higher returns and normally recover quickly when the economy rebounds.

The safest picks tend to be companies that provide essential services and have strong track records of delivering reliable payouts.

Let's take a look at two stocks that might be attractive right now for a TFSA pension funds.

## Fortis

**Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) owns more than \$50 billion of utility assets in Canada, the United States, and the Caribbean. The company's revenue primarily comes from regulated businesses, meaning cash flow should be reliable and predictable.

The firm grows through a combination of acquisitions and development projects. Fortis is currently working through five-year capital program that will see it invest more than \$18 billion. The resulting increase in the rate base is expected to drive enough cash flow growth to support average annual dividend increases of 6% through 2024.

That's decent guidance right now in an era where future dividend hikes are uncertain in many sectors.

The stock normally holds up well when the broader market hits a rough patch. At the time of writing, Fortis trades at \$54 per share compared to the 12-month high around \$59. Investors who buy the stock today can pick up a 3.5% yield.

## Bank of Montreal

**Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) has paid investors a dividend every year since 1829. That's right; shareholders have received a piece of the profits annually for nearly two centuries.

The 2020 recession caused by the coronavirus pandemic is going to hit Bank of Montreal and its peers. Companies and homeowners are struggling to pay their bills, and that will result in a drop in new loans and a spike in defaults. Dividend hikes could be on hold, but the existing payout should be safe.

Bank of Montreal has a strong capital position to help it ride out the recession. Government programs to buy mortgages from the banks and provide emergency funding to businesses and consumers will help mitigate the impact. The IMF expects economic growth to bounce back in a big way in 2021, so there is solid upside potential for Bank of Montreal's stock once the pandemic runs its course.

The share price is down to \$68 from \$100 in February. It appears to be oversold, and investors can now pick up a 6% yield.

## The bottom line

Fortis and Bank of Montreal pay attractive distributions that should be safe.

The **TSX Index** is home to many top stocks right now that appear cheap and deserve to be on you TFSA radar.

### CATEGORY

1. Bank Stocks

2. Investing

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2. NYSE:FTS (Fortis Inc.)
3. TSX:BMO (Bank Of Montreal)
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