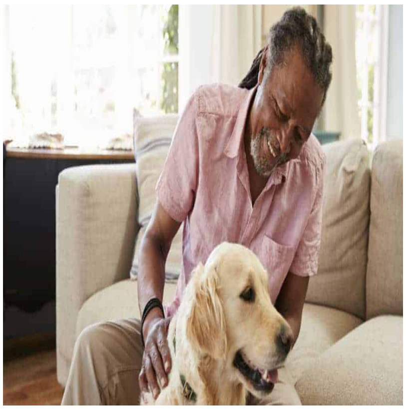

OAS and CPP Pensions Aren't Enough: You Need a TFSA Income Stream

Description

OAS and CPP pension payments aren't nearly enough for retirees who are looking to live a comfortable retirement.

In a prior piece, I'd noted that OAS and CPP pension payments are unlikely to help with anything more than a couple of bills, especially for those receiving below-average-sized payments in some of the more expensive Canadian cities. The cost of living continues to surge, and that leaves retirees at risk of having to break open their retirement nest egg and of running out of money.

Add the coronavirus (COVID-19) pandemic into the equation, and the whole situation just got much bleaker for many vulnerable Canadian retirees who are witnessing their monthly expenses surge due to pricey grocery delivery services, and all the sort to stay safe during these unprecedented times.

You can use your TFSA income stream as a pension supplement

Fortunately, for retirees who do have a rainy day nest egg that's acting as a rainy day fund, it is possible to leverage the Tax-Free Savings Account (TFSA) to transform the nest egg that's collecting dust in a low-interest savings account into a sustainable provider of tax-free income. With a TFSA income stream, retirees remove the risk of running out of money and can better deal with contingent monthly expenses as they arise.

After the coronavirus market crash, now is as good a time as any to give your monthly income a jolt with defensive dividend stocks. As the economy continues crumbling, though, dividend (and distribution) cuts are going become normalized and less taboo.

That's a problem for those investors who depend on their investment income to cover their monthly expenses. As such, it's vital to conduct a careful analysis of not only a firm's financial health but an analysis of the sustainability of future cash flows as the coronavirus continues to weigh. There's more homework for investors to do. But it's worth it, as yields, in aggregate, are substantially higher than their mean levels. And many of them are sustainable, even in these highly uncertain times.

Fortis: a top pick for any conservative TFSA income stream

What's a security that fits the bill of being robust enough for retired income investors to own? Consider shares of **Fortis** (TSX:FTS)(NYSE:FTS), a highly regulated utility that's my go-to bond proxy. The company doesn't just have resilient cash flow streams that stand to be less affected by the coronavirus crisis, but the firm is also on a stable financial footing that allows the firm to continue to deliver 5-6% in annual dividend hikes, regardless of what ends up happening to the broader markets in these dark times.

These days, when it's already asking too much of firms to keep their dividends intact, Fortis is a must-own stock for its dividend-growth potential and its resilience in the face of even the most unprecedented of crises.

Foolish takeaway

Shares of Fortis could still stand to be hit should broader market momentum reverse, as it did in late February and early March. But investors should expect dampened downside, a quicker recovery, and no changes regarding the dividend policy.

Fortis stock currently sports a 3.6% dividend yield and is a worthy addition to any risk-parity TFSA income fund. Should shares retest their March lows, I'd look to double down on the name to lower the cost basis while increasing the yield basis.

Stay hungry. Stay Foolish.

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Date
2025/08/26
Date Created
2020/05/13
Author
joefrenette