



## Retirees: 3 Top Stocks Yielding 6-7.5% for a TFSA Income Portfolio

### Description

Canadian retirees want to get better returns out of their savings. Using a TFSA to hold top [dividend stocks](#) is a popular strategy.

### TFSA limit 2020

The TFSA contribution limit increased by \$6,000 in 2020. This brings the maximum cumulative contribution space to \$69,500. That's a decent size for pensioners to build a solid income fund.

The government increases the TFSA limit each year, with the size of the increase indexed to inflation. Adjustments are made in intervals of \$500. The 2021 TFSA limit increase will likely be \$6,000, in line with 2020.

### TFSA and the Canada Revenue Agency OAS clawback

The CRA implements a pension recovery tax on OAS payments when net world income tops a minimum threshold. The magic number for 2020 is \$79,054. Income from company pensions, CPP, OAS, RRIF payments, and investments in taxable accounts is included in the calculation.

Fortunately, all income earned inside the TFSA and removed from the account is not used by the CRA for the net world income total. That means it doesn't trigger the [OAS clawback](#).

### Top dividend stocks for a TFSA

The market downturn in 2020 currently provides income investors with a chance to buy some top-quality dividend stocks at discounted prices. Yields are higher than they were at the beginning of the year.

Let's take a look at three dividend stocks that might be attractive picks today for a TFSA income fund.

## BCE

**BCE** ([TSX:BCE](#))([NYSE:BCE](#)) just reported rough Q2 results. The pandemic lockdowns hit the media and wireless divisions particularly hard. Store closures and a drop in advertising revenue resulted in a 64% drop in year-over-year profit for the quarter.

As the economy reopens, BCE should see the situation return to normal. In the meantime, the company has adequate liquidity to cover the dividend.

The stock appears cheap at the current price, and investors can pick up a dividend yield of close to 6%.

## CIBC

**CIBC** ([TSX:CM](#))([NYSE:CM](#)) is Canada's fifth-largest bank. The stock normally trades at a discount to its peers due to concerns about CIBC's reliance on the Canadian economy. In particular, CIBC has a high relative exposure to the housing market.

The pandemic caused unemployment to rise to 13% in April. An economic recovery is underway and people are returning to their jobs. A V-shaped rebound is not guaranteed, but the housing market is holding up well at this point. In fact, bidding wars are occurring on properties across the country.

Once loan deferrals and government aid end, we could see a rise in defaults. CIBC set aside a large chunk of cash for loan-loss provisions in the fiscal Q2 results, so the bank anticipates some pain in the coming months.

That said, CIBC has the capital to ride out the downturn, and the dividend should be rock solid. Investors who buy today can get a 6.2% yield.

## Pembina Pipeline

**Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)) is a major player in the Canadian energy infrastructure sector. The company owns a balanced portfolio of assets and developments that ranges from pipelines to a propane export terminal.

Pembina Pipeline has been around for 65 years. Management does a good job of growing the business through a combination of strategic acquisitions and internal projects. The balance sheet is in solid shape, and the company has the means to ride out the downturn in the oil and gas industry.

The stock appears cheap right now and offers a 7.5% dividend yield.

## The bottom line for TFSA income investors

BCE, CIBC, and Pembina Pipeline all trade at reasonable prices today and pay reliable dividends that

deliver above-average yields.

If you are searching for top dividend stocks for a TFSA income fund, these names deserve to be on your radar right now.

## CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

## TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. NYSE:PBA (Pembina Pipeline Corporation)
4. TSX:BCE (BCE Inc.)
5. TSX:CM (Canadian Imperial Bank of Commerce)
6. TSX:PPL (Pembina Pipeline Corporation)

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