TFSA Alert: 2 Top Dividend Stocks for Retirees

Description

Canadian retirees use the Tax-Free Savings Account (TFSA) to hold dividend stocks that generate tax-free earnings. The strategy helps boost income while protecting OAS pensions from the CRA's OAS clawback.

Stocks carry risks, but returns on safer alternatives, such as GICs, are at record lows. In fact, the advertised GIC rate a person can get from a major Canadian bank these days is less than 1%. The effects of the pandemic will keep interest rates low for years. That's bad news for fixed income investors.

However, the yields retirees can now get on top Canadian dividend stocks are very attractive.

Should you buy Enbridge stock for the 8.75% yield?

Enbridge (TSX:ENB)(NYSE:ENB) is a giant in the North American energy infrastructure industry. The company transports roughly a quarter of all the oil that is produced in Canada and the United States. It also moves about 20% of the natural gas the U.S. consumes.

The pandemic caused a significant drop in fuel demand that looks set to continue.A second COVID-19 wave shows no sign of slowing and new lockdowns threaten to keep cars off the roads and airlines grounded for months.

Enbridge's Q3 results come out on November 6. It will be interesting to see if throughput on the main oil pipeline improved in the quarter compared to the prior three months. Guidance for Q4 and the first half of 2021 will be important to watch.

In the Q2 results, Enbridge confirmed its 2020 guidance for distributable cash flow. That's good news for the dividend.

While the coming months might bring additional volatility, the long-term outlook should be positive for the stock. Enbridge gets reliable revenue from its utility and renewable energy assets to offset the slowdown on the oil pipelines.

Once CIVID vaccines are widely available, fuel demand should recover as more people will book flights and commute to work.

The stock appears oversold at the current price near $37 per share. TFSA investors who buy today can pick up an attractive 8.75% dividend yield.

Is BCE a good stock to buy for TFSA income?

BCE (TSX:BCE)(NYSE:BCE) is a long-time favourite among retirees. The stock pays a generous dividend that is widely viewed as one of the safest in the **TSX Index**.

The media assets took a hit this year wide reduced ad revenue and the interrupted pro sports seasons. However, the mobile, internet, and TV services represent the largest part of the revenue stream. Regardless of the state of the economy, people need mobile phones and access to the internet.

The work-from-home era might become the new normal. In this situation, BCE could benefit from increased subscriptions to the premium data services.

The stock trades near $54 per share compared to $65 in February, so there is decent upside opportunity when the media division gets back on track. In the meantime, TFSA investors can pick up an attractive 6% dividend yield.

The bottom line

Enbridge and BCE appear oversold today. The dividends should be safe and the pullback in the share prices gives retirees an opportunity to buy top dividend stocks that offer above-average yields for a TFSA income portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred

5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/19
Date Created
2020/11/04
Author
aswalker