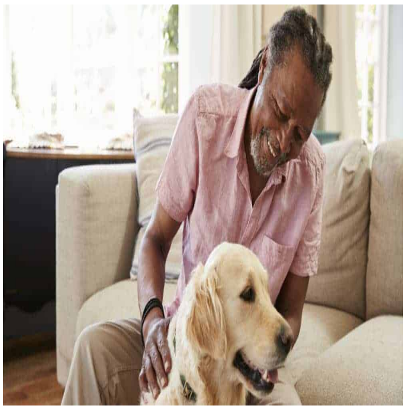

Retirees: 3 Great Dividend Stocks for TFSA Income

Description

Canadian seniors like to own top dividend stocks to boost retirement income. Inside the TFSA, all dividends and capital gains are tax-free, and the income doesn't put OAS pensions at risk of a clawback.

Best dividend stocks to buy for a TFSA

Ideally, we could get decent returns from no-risk investments. Unfortunately, the era of low interest rates means GICs only pay about 1% today. The current rate outlook suggests things won't improve for some time. As a result, dividend stocks are pretty much the best game in town right now.

Fortunately, a number of Canada's best dividend payers provide attractive yields. Some still look oversold in the current environment.

It makes sense to search for companies that perform well in all market conditions and have long track records of dividend growth supported by rising revenue. Let's take a look at three stocks that might be interesting picks right now for a TFSA income fund.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is Canada's third-largest bank by market capitalization. The stock has trailed its peers in the rebound this year due to its large Latin American business. Mexico, Peru, Chile, and Colombia, where it primarily operates, have taken a beating during the pandemic, and it will be some time before things recover.

The international division normally contributes about a third of Bank of Nova Scotia's adjusted net income, and the market might be waiting to see how large the provision for credit losses (PCL) will be in fiscal Q4 for the group.

Near-term challenges remain, but the bank is still very profitable, and the dividend should be safe. At the time of writing, Bank of Nova Scotia stock provides a yield of 5.75%.

Fortis

Utilities might not be exciting, but they offer reliable revenue streams that hold up well in most economic situations.

Fortis (TSX:FTS)(NYSE:FTS) raised its dividend in each of past 47 years. According to the Q3 2020 earnings report, Fortis intends to hike the payout by an average of 6% per year through 2025. That's great news for TFSA dividend investors.

The cash flow growth will come from the $19.6 billion capital program that should boost the rate base from $30 billion to $40 billion over the next five years.

The current dividend provides a yield of 3.8%.

Telus

Telus (TSX:T)(NYSE:TU) is a leading player in the Canadian communications sector providing mobile, TV, and internet services. The company also has a growing digital health division that received a big boost over the past few months due to the pandemic.

The arrival of 5G provides Telus with new revenue opportunities. Home security and monitoring also offer potential for strong growth in the coming years.

Telus just raised its dividend, marking another year of steady increases. Historically, Telus bumps the payout by 8-10% annually. The existing dividend provides a yield of 5%.

The stock appears attractive at the current price and deserves to be an anchor pick in a TFSA income portfolio.

The bottom line on TFSA dividend stocks

Bank of Nova Scotia, Fortis, and Telus provide reliable dividends that should continue to grow. If you are searching for top dividend stocks to put in your TFSA income fund, all three deserve to be on your radar.

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Date
2025/08/24
Date Created
2020/11/20
Author
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