



TFSA: 3 Top Dividend Stocks Yielding 5-6%

Description

TFSA investors are searching for top dividend stocks to boost income or build a self-directed retirement fund.

TFSA benefits

The TFSA limit in 2021 will be \$6,000. This brings the total cumulative TFSA contribution room to \$75,500. That's a decent sum that retirees and other investors can use to generate tax-free interest, dividends, and capital gains.

One popular TFSA strategy involves owning top dividend stocks with reliable and growing payouts. Younger investors can use the distributions to buy new shares. This sets off a powerful compounding process that can turn modest investments into a substantial portfolio over time. Retirees use dividend stocks to create a steady income stream. The CRA does not tax TFSA income, so you don't risk being bumped into a higher tax bracket. In addition, the money isn't used to calculate the [OAS clawback](#).

Let's take a look at three top dividend stocks with attractive yields that might be interesting picks right now for a self-directed TFSA.

BCE

BCE ([TSX:BCE](#))([NYSE:BCE](#)) is Canada's largest provider of communications services in Canada. The company invests billions of dollars to ensure its wireless and wireline networks are capable to meet rising demand for broadband. BCE's fibre-to-the-premises initiative is a good example. The program is installing fibre lines directly to homes and businesses, providing world-class connectivity. The investment ensures customers get the broadband they need while protecting BCE's competitive moat.

The arrival of 5G should boost opportunities for revenue growth. BCE generates solid free cash flow and has a great track record of dividend hikes. The stock looks [cheap](#) today and provides a 5.9% yield.

Manulife Financial

Manulife ([TSX:MFC](#))([NYSE:MFC](#)) is Canadian insurance and wealth management firm with a market capitalization of more than \$40 billion. The company reported strong [Q3 2020 results](#), with \$2.1 billion in net income and return on equity of 16.4%.

Manulife is transitioning to a digital business and its digital capabilities helped the firm navigate the pandemic storm in recent months.

Looking ahead, Manulife is building on the strength its Global Wealth and Asset Management businesses. Investors should also see the Asia unit grow meaningfully in the coming years.

The stock gives investors a way to get international exposure through a financial firm other than one of the banks. Manulife's share price is up in recent weeks, but more gains should be on the way, and the stock still provides a 5% yield.

TC Energy

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) is the former TransCanada. The company owns natural gas pipelines, oil pipelines, natural gas storage and power generation facilities. With a total of \$100 billion in assets, TC Energy is a major player in the North American energy infrastructure industry.

The stock trades near \$59 at the time of writing compared to the 2020 high of \$76. This gives investors who buy now a shot at some great capital gains in the next few years, while providing a solid 5.5% dividend yield.

TC Energy's large secured capital program should drive steady revenue growth to support annual dividend hikes of 5-7% in the coming years.

The bottom line on TFSA investing

The TFSA is a great vehicle to hold top dividend stocks for income or building a personal pension fund. BCE, Manulife, and TC Energy are all leaders in their respective industries and pay above-average dividends that should continue to grow.

The **TSX Index** is home to many top stocks that appear oversold today and would be attractive TFSA picks.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)

2. NYSE:MFC (Manulife Financial Corporation)
3. NYSE:TRP (Tc Energy)
4. TSX:BCE (BCE Inc.)
5. TSX:MFC (Manulife Financial Corporation)
6. TSX:TRP (TC Energy Corporation)

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