



TFSA Income: 2 Top Monthly Dividend Stocks to Buy in December

Description

Canadian retirees use the TFSA to generate a steady stream of tax-free income.

TFSA advantage

The strategy makes sense, especially for seniors who received Old Age Security. When net world income tops a minimum threshold, the CRA implements a pension recovery tax on OAS payments. The [OAS clawback](#), as it is known, is 15% on every dollar of income above the limit. The target income is \$79,054 in the 2020 tax year.

Inside the TFSA, all profits on investments remain beyond the reach of the CRA. This includes interest, dividends, and capital gains. GICs don't pay much these days, so retirees are turning to [dividend stocks](#) to boost returns and generate income. A number of stocks actually pay the distributions monthly, which is helpful for seniors who need additional income to cover expenses.

Is Pembina Pipeline a top TFSA income pick?

Pembina Pipeline ([TSX:PPL](#))([NYSE:PBA](#)) is a key player in the Canadian energy infrastructure industry. For the past 60 years, the company has grown through acquisitions and development projects. Today, Pembina has a market capitalization of more than \$18 billion.

The company's asset base is spread out across a number of segments in the industry. This provides balance to the revenue stream. Management moved quickly to shore up liquidity and the balance sheet at the start of the pandemic, so Pembina has the means to ride out the downturn.

The dividend should be safe and provides an annualized yield of 7.4%. That's great for a TFSA income portfolio.

RioCan Real Estate Investment Trust

RioCan owns shopping malls across Canada. That might not sound like a great place to invest TFSA funds right now, but the company is in better shape than many people think. RioCan has a strong balance sheet and can access funds at very low cost. Its tenant profile is very diverse, with no single customers representing more than 5-6% of revenue.

The pandemic hurt smaller renters that didn't have the finances to battle through lockdowns, but government assistance is helping RioCan work with most of its tenants. Many of the larger tenants are considered essential services and have done well since the pandemic arrived. This includes the grocery stores and pharmacies.

Vacancy stood at just 4% at the end of September. RioCan collected more than 90% of the rent that was due in [Q3 2020](#), up from 78% in Q2, so things appear to be improving. Provisions for rent abatements and bad debts were just 5.3% for the third quarter.

Growth should come from the company's mixed-use projects that combine retail space with apartments. RioCan could build as many as 10,000 residential units as part of the long-term development plan.

RioCan's monthly distribution should be safe. TFSA investors can get a 7.8% yield at the time of writing with a shot at some big capital gains once the pandemic ends and malls move back to full capacity.

The bottom line on TFSA income stocks

Pembina Pipeline and RioCan pay monthly distributions that offer above-average yields. The stocks appear cheap today, and the payouts look secure.

If you have some cash sitting on the sidelines in the TFSA, these names might be interesting income picks today.

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