TFSA Income: 2 Top Dividend Stocks Now Paying 6% Yields

Description

TFSA investors want to get the best returns possible from their hard-earned savings.

Dividend stocks, bonds, or GICs?

Retirees remember the good, old days when savings accounts, Canada Savings Bonds, and GICs offered high interest payments. There wasn't a need to take on the risk associated with owning stocks. Today, the world is a different place. The best yield you can hope to get from a large Canadian bank on a one-year GIC is about 1%.

Bond yields aren't much better, and investors have the added risk that bond prices might reverse, forcing you to hold the bond to maturity at an unfavourable rate.

As such, many retirees and other TFSA income investors are turning to dividend stocks to boost returns on the savings. Stock prices can be volatile, as we saw this year, especially in the oil industry.

However, TFSA investors with a buy-and-hold strategy shouldn't worry too much about the short-term gyrations in the equity market when they own top-quality names in stable sectors. In fact, the turbulence provides an opportunity to buy top dividend stocks at cheap prices.

Why Power Corp. stock is an attractive TFSA buy

Power Corporation (TSX:POW) is a Canadian holding company with interests primarily focused on insurance and wealth management.

The organizational chart of the subsidiaries is quite complex, but top assets under the Power Financial umbrella include **Great-West Lifeco** and **IGM Financial**. These two own household names such as Canada Life, IG Wealth Management, Mackenzie Investments, and Investment Planning Counsel. Fintech star Wealthsimple is also part of the Canadian portfolio.

Power Corp. trades near $30 per share at the time of writing and offers a 6% dividend yield for TFSA investors. The payout should be very safe.

The value of Wealthsimple continues to increase, and this might not be priced into Power Corp's share price. As such, investors could see Power Corp.'s multiple expand in the next few years. Another scenario might see investors get a special dividend down the road if Wealthsimple goes public.

Why BCE stock is still a good buy for retirees

BCE (TSX:BCE)(NYSE:BCE) is often called a grandma-and-grandpa stock. Retirees have a long relationship with the company, holding BCE stock for the reliable and generous dividends. That trend should continue, even if the company changed significantly over the past decade.

Billions of dollars invested in sports teams, a television network, specialty channels, radio stations and retail outlets created a large media division to complement the communications operations. The group took a hit this year, but BCE still gets most of its revenue from wireless, internet, and TV subscriptions. These are solid revenue-generating assets that deliver steady cash flow.

BCE's size and limited opportunities for big acquisitions in Canada mean growth rates will remain small. That said, BCE has interesting opportunities to leverage its relationship with its existing clients. Streaming services, home monitoring and security, and the arrival of 5G should help drive revenue gains.

BCE generates solid free cash flow and dividend growth should average 5% per year over the medium term once the economy gets back on track.

The share price appears cheap right now around $55, and BCE stock offers a solid 6% yield at that price.

The bottom line on TFSA income stocks

Power Corp. and BCE pay reliable dividends with above-average yields. If you are searching for top dividend stocks to add to a TFSA income portfolio, these names deserve to be on your buy list heading into 2021.

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