



## Retirees: A Top Dividend Stock With Huge Upside Potential for Your 2021 TFSA

### Description

The TFSA limit just increased by \$6,000 for 2021. This gives Canadian retirees added room to generate tax-free income from top [dividend stocks](#).

### TFSA advantage for seniors

The TFSA is a great savings and investing tool for all Canadians over the age of 18. However, retirees who collect OAS get an added benefit.

All income generated on investments inside the TFSA remains beyond the reach of the CRA. Profits can be removed at any time. In addition, the CRA does not include the TFSA earnings when determining net world income. This is important for OAS recipients who might be near the minimum threshold for the [OAS clawback](#).

In short, the CRA imposes a pension recovery tax of 15 cents on every dollar in net world income above a minimum amount determined each year. The threshold for the 2021 income year is \$79,845. So, a senior with income of \$99,845 this year would be subject to a \$3,000 OAS clawback on the payments for the July 2022 to June 2023 payment period.

That's a big hit that can be avoided or reduced by earning investment income inside the TFSA rather than on portfolios held in taxable accounts.

### Best dividend stocks to buy in a TFSA

Low interest rates appear set to continue for the next few years. This means GICs won't offer decent returns. The situation should also help support the shares prices of top dividend stocks.

Last year's rally off the 2020 crash caught most investors by surprise and wiped out some fantastic deals. A number of top Canadian dividend stocks, however, still look reasonably priced and offer great yields for TFSA income investors. Some also have a shot at huge capital gains.

Let's take a look at **Power Corporation** ([TSX:POW](#)) to see why it might be an interesting TFSA income pick for 2021.

## Could Power Corp. stock soar in 2021?

Power Corp. took Power Financial private in 2020. This removed one of the publicly traded subsidiaries from the market and freed up more cash to pay to Power Corp. shareholders. That's good news for TFSA income investors.

The company's holdings in Canada include majority interests in **Great-West Lifeco** and **IGM Financial**. Great-West is home to Canada Life and IGM Financial owns IG Wealth Management (Investors Group), Mackenzie Investments and Investment Planning Counsel.

Insurance and wealth management are profitable businesses for the firm. Adjusted net earnings for Q3 2020 came in at \$438 million compared to \$308 million in the same period last year.

## Investments in future tech

Power Corp. has other interests through its subsidiaries that could drive significant growth over the next couple of years. Financial technology disruptor WealtheSimple has an implied value of \$1.4 billion after its most recent round of financing. Power Corp., Great-West Lifeco, and IGM Financial own a combined 70% of the company.

On the electric vehicle front, Power Sustainable Capital, another wholly owned subsidiary, owns 44.2% of Lion Electric. The company makes electric commercial vehicles and electric buses. A [recently announced deal](#) with **Northern Genesis**, a special purpose acquisition company, gave Lion Electric an implied value of US\$1.9 billion. Lion Electric is expected to list on the NYSE once the transaction wraps up.

Given the euphoria around electric vehicles in 2020, Lion Electric could potentially add significant value for Power Corp. shareholders. At the very least, Power Corp. is a safe way to get exposure to the sector without the risk of a pure-play bet.

## Dividends

Power Corp. trades near \$29 per share at the time of writing and provides a solid 6% dividend yield. Retirees can get above-average returns for their TFSA and should see the distribution increase this year.

## The bottom line

Power Corp. offers reliable dividends that retirees need while giving investors a shot at some big gains if the fintech and electric vehicle investments soar in value. This makes it a great pick for a TFSA.

If you have some cash sitting on the sidelines, Power Corp. appears undervalued right now and deserves to be on your radar.

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