3 Best Income Stocks for Canadian Retirees

Description

Canadian seniors are searching for the best income stocks to add to their Tax-Free Savings Account (TFSA) portfolios in 2021. The recent dip in a number of top **TSX** dividend stocks gives retirees a great opportunity to boost yield on their savings.

Why Fortis is one of the best income stocks for pensioners

Fortis raised its dividend in each of the past 47 years — a great track record that looks set to continue.

In the Q3 earnings report, Fortis said its $19.6 billion capital program should increase the rate base significantly in the next five years. As a result, the board plans to hike the dividend by a compound annual rate of 6% through 2025. Acquisitions or the addition of new projects could drive the returns even higher.

Fortis is one of those stocks you can simply buy and forget for years. Revenue primarily comes from regulated utility assets, so cash flow is normally predictable and reliable.

The shares appear cheap today. Fortis trades near $51.50 per share compared to a high of $59 in the past year, so there is decent upside potential on the next rebound. Investors who buy now can pick up a respectable 3.9% yield.

Why Pembina Pipeline is a top dividend pick today

Pembina Pipeline (TSX:PPL)(NYSE:PBA) sits in the shadows of the larger energy infrastructure names, but the company might be the best pick in the pack today.

Pembina Pipeline owns a portfolio of integrated assets built through acquisitions and organic development over the past 65 years. The businesses include oil, natural gas, and gas liquids pipelines, gas gathering and processing facilities, and logistics operations.

In short, the company offers the energy sector a full package of midstream and marketing services.

Oil companies took a beating in 2020, triggering an exodus out of anything related to energy, including the energy infrastructure stocks. The sell-off went too far and the market is starting to figure out that Pembina Pipeline and some of its peers are oversold.

The energy industry is already on the mend and the second half of 2021 could see a wave of funds start flow to the sector.

Pembina trades near $34 per share and provides a 7.5% dividend. The distribution should be very safe. It wouldn't be a surprise to see the stock top $45 in the next two years.

Power Corp offers a bit of everything

Power Corp (TSX:POW) is popular among income investors for its attractive yield. At the current share price the yield is 5.3%.

The holdings primarily include insurance and wealth management businesses in Canada. These sectors tend to generate good cash flow and Power Corp serves as a nice financial pick for your portfolio if you don't want to add another bank. Over the next two decades analysts expect a massive transfer of wealth to occur. The recipients will look for help in managing all aspects of their estates, which bodes well for the Power Corp portfolio of companies.

Power Corp also invests in disruptor start-ups. Its two most promising holdings include a majority interest in Wealthsimple and a large position in Lion Electric. Wealthsimple caters to young investors and Lion Electric is a major player in the emerging electric vehicle industry with its electric school busses.

Both companies have the potential to explode in value over the next few years. As such, Power Corp investors get a shot at IPO windfalls from the subsidiaries while collecting great dividends from the legacy Power Corp businesses.

The bottom line

Fortis, Pembina Pipeline, and Power Corp are all great income stocks that appear cheap right now and provide attractive dividends. An equal investment across the three would pay an average yield of 5.5% today for an income portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. NYSE:PBA (Pembina Pipeline Corporation)

3. TSX:FTS (Fortis Inc.)
4. TSX:POW (Power Corporation of Canada)
5. TSX:PPL (Pembina Pipeline Corporation)

PARTNER-FEEDS

1. Business Insider
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