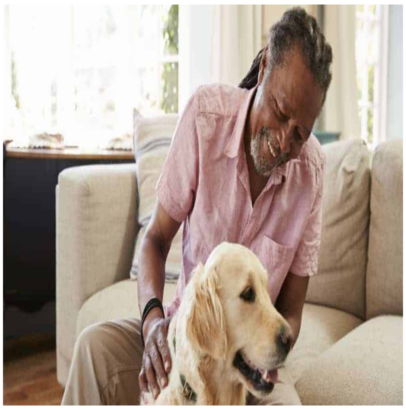

Retirees: 2 Top TSX Dividend Stocks for TFSA Income

Description

Canadian seniors use their TFSAs to hold top **TSX** dividend stocks for steady income. In a world where GICs return less than inflation, stocks are pretty much the only game in town.

Why the TFSA is good for seniors

The TFSA limit increased by $6,000 in 2021. That brings the cumulative total amount to $75,500 since the TFSA's creation in 2009. Retirees enjoy flexibility to generate decent dividend income on savings without worrying about triggering an OAS clawback. The CRA implements an Old Age Security pension recovery tax on net world income that tops a minimum threshold.

The best stocks to buy for a TFSA income fund

Stock markets enjoyed a massive rally off the 2020 lows, and many stocks now trade near all-time highs. We should see a meaningful and healthy correction in 2021, so investors need to be careful where they put new money to work.

That said, some great dividend stocks still trade at cheap prices. A few now appear very attractive for buy-and-hold income investors who want steady dividends that offer attractive yields and decent distribution growth in the coming years.

Let's take a look at **Emera** (TSX:EMA) and **Enbridge** (TSX:ENB)(NYSE:ENB) to see why they might be interesting picks right now.

Why Emera is a reliable income stock

Emera is a utility company based in Nova Scotia with operations in Canada, the United States, and the Caribbean. The business grows through acquisitions and organic development projects.

Emera’s current $7.4 billion capital program through 2023 is expected to generate rate-base growth of 7.5-8.5% per year over that timeframe. This should generate adequate cash flow to support annual dividend increases of 4-5% through at least 2022.

The business reported good Q4-2020 and full-year 2020 results. Adjusted net income in Q4 came in at $0.75 per share compared to $0.60 per share in the same period last year. Full-year 2020 adjusted net income was $2.68 compared with $2.59 in 2019.

The stock trades near $50 per share and offers a 5% yield at the time of writing. Emera’s share price was $60 a year ago, so there is decent upside opportunity, and you get paid well to wait for the next rebound. As the utility industry consolidates, it wouldn’t be a surprise to see Emera become a takeover target in the next few years.

Why Enbridge is a top TSX dividend stock

Enbridge is a giant in the North American energy infrastructure industry with a market capitalization of $90 billion. The company transports about 25% of the crude oil produced in Canada and the United States.

The natural gas utility businesses serve 3.8 million customers in Canada, while the renewable power group generates roughly 1,750 MW of net renewable power in North America and Europe. In addition, Enbridge’s gas transmission and midstream network transports nearly 20% of the natural gas used in the United States.

Once the pandemic ends and fuel demand recovers, Enbridge should see throughput on the oil pipelines return to near capacity.

The stock looks cheap at the current price of $44 per share. Enbridge traded as high as $56 in early 2020. Investors who buy now can pick up a solid 7.5% yield. Dividend growth should be in the 5-7% range per year over the medium term.

The bottom line on top TSX dividend stocks

Emera and Enbridge are top TSX dividend stocks that appear cheap right now and offer TFSA income investors attractive yields. If you are searching for reliable income, these stocks deserve to be on your radar.

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