



TFSA Investors: 2 Top TSX Stocks for Reliable Income

Description

Retirees and other income investors are searching for top **TSX** stocks to add to their TFSA portfolios.

TFSA advantage

The TFSA limit increased by \$6,000 for 2021. That brings the total cumulative contribution space to \$75,500 for any Canadian resident who was at least 18 years old when the government launched the TFSA in 2009. Retired couples now have as much as \$151,000 in TFSA room to earn tax-free income on their investments.

This is great for anyone who wants to build a tax-free income stream, but retirees who collect Old Age Security (OAS) pensions get another benefit. All interest, dividends, and capital gains generated inside the TFSA and taken out as a source of earnings do not get added to the net world income calculation the CRA uses to determine the OAS clawback.

OAS pension recipients who are near or above the threshold for the OAS [pension recovery tax](#) can see a huge impact. The number to watch in the 2021 income year is \$79,845.

Top TSX stocks for TFSA income

The best TSX stocks to buy for a TFSA income portfolio tend to be ones that have long track records of [dividend](#) growth supported by rising profits. Industry leaders that provide essential products or services are often good picks. These companies make money during difficult economic times, as well as during period of economic growth.

Let's take a look at **Royal Bank** ([TSX:RY](#))([NYSE:RY](#)) and **BCE** ([TSX:BCE](#))([NYSE:BCE](#)) to see why they might be good picks for a TFSA income fund right now.

Royal Bank

Royal Bank is Canada's largest financial firm by market capitalization and ranks among the top 15 in the world. The company is investing heavily in its digital transformation to ensure it remains competitive in a rapidly changing industry.

Royal Bank generates revenue across a number of business units, including personal and commercial banking, wealth management, capital markets, investor and treasury services, and insurance. The bank currently has an excess amount of capital built up as protection against the worst-case scenario of the pandemic. Government aid programs avoided the massive business and household defaults that might have occurred. As a result, Royal Bank can deploy the extra funds.

Once the banks get the green light to raise dividends again and buy back shares, Royal Bank investors should see a nice bump in the distribution.

The stock isn't as cheap as it was last year, but Royal Bank remains an attractive pick for a buy-and-hold income fund. At the time of writing, the dividend provides a 3.7% yield.

BCE

BCE is a leader in the Canadian communications industry. In fact, any time a person in the country sends a text, calls a friend, streams a movie, listens to the news, or checks their e-mail, the odds are pretty good that BCE is involved somewhere along the line.

The media business should bounce back in the next 12 months and BCE has good opportunity to develop new revenue streams as it builds out its [5G network](#). BCE has the fiscal firepower to fund the large network expansion and consistently invests in new technology to protect its wide moat. The fibre-to-the-premises initiative is a good example.

BCE generates solid free cash flow to support the generous dividend, and investors should continue to see the payout increase at a regular pace.

The stock appears a bit [undervalued](#) right now and offers a juicy 6% dividend yield.

The bottom line on top TSX stocks for income

Royal Bank and BCE are industry leaders that provide essential services and pay reliable dividends that should continue to grow for years. If you have some cash sitting in your TFSA income fund, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

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2. NYSE:RY (Royal Bank of Canada)
3. TSX:BCE (BCE Inc.)
4. TSX:RY (Royal Bank of Canada)

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