TFSA Retirees: 3 TSX Stocks With Dividend Yields Up to 6%

Description

When you are nearing retirement, you need to look at investments that help you generate a steady stream of income and compliment your retirement payouts. One way to derive predictable and stable cash flows is by investing in blue-chip dividend-paying companies.

Quality companies that pay a dividend also increase shareholder wealth via long-term capital appreciation. Further, if you hold these stocks in your Tax-Free Savings Account (TFSA) you will not have to pay a single penny in taxes to the Canada Revenue Agency. The TFSA contribution limit for 2021 is $6,000 while the maximum cumulative TFSA contribution room stands at $75,500.

Here, we look at three such dividend-paying stocks that should be on the radar of Canadian retirees.

TC Energy

Shares of Canada's energy giant **TC Energy** (TSX:TRP)(NYSE:TRP) are trading at $58.7, which indicates a tasty forward yield of 6%. TC Energy is one of the top dividend-paying companies on the **TSX** and has increased payouts for 21 consecutive years.

It operates one of the largest natural gas pipeline networks in North America and transports 25% of the natural gas consumed in the continent. Its liquids pipeline system also transports about a fifth of all exports from the Western Canadian Sedimentary Basin.

Around 95% of the company's earnings are secured via regulated or long-term contracts, allowing it to generate steady cash flows and support consistent dividend increases.

TC Energy will continue to invest in capital projects, which will help it expand its base of cash-generating assets. Its strong balance sheet also allows TC Energy to fund acquisitions and fuel top-line growth.

TC Energy is looking to grow its dividend between 5% and 7% in the next few years. Its robust cash flows, strong asset base, and healthy balance sheet make it a top stock for retirees.

Capital Power

Shares of **Capital Power** (TSX:CPX) are trading at $36.75, which indicates a juicy forward yield of 5.6%. It is focused on operating as a growth-oriented wholesale power producer. It builds, owns, and operates utility-scale generation facilities including renewables and thermal.

Capital Power aims to generate stable and growing cash flows from a contracted portfolio that is supported by an investment-grade credit rating. It has a history of dividend growth and expects to increase payouts by 7% and 5% in 2021 and 2022 respectively.

It ended 2020 with 6,500 megawatts in power generating capacity across 28 facilities. Its total sales stood at $1.93 billion while adjusted EBITDA was $955 million, indicating a healthy margin of about 50%.

Capital Power expects its expansion projects to drive incremental growth in its cash flows and support annual shareholder returns of between 10% and 12%.

Great-West Lifeco

Shares of **Great-West Lifeco** (TSX:GWO) are trading at $36.75, which indicates a healthy forward yield of 5.22% given its annual dividend of $1.75 per share. Great-West is a financial services holding company and is engaged in life and health insurance, retirement and investment services, reinsurance, and asset management businesses in Canada, the U.S., and Europe.

With a market cap of $31.5 billion, Great-West is trading at a forward price to sales multiple of 0.5 and a price to earnings multiple of 9.9. Its one of the most undervalued stocks on the **TSX** given the company is forecast to grow revenue by 13.3% to $62.2 billion in 2021 and by 4.9% to $65.3 billion in 2022. Analysts also expect Great-West to increase earnings by 8.3% in 2021 and by 8.7% in 2022.

If you invest $6,000 in each of these three stocks, you will be able to generate approximately $1,000 in tax-free dividend income in the next year.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:CPX (Capital Power Corporation)
3. TSX:GWO (Great-West Lifeco Inc.)
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