Retirees: 2 Top TSX Dividend Stocks for a TFSA

Description

Canadian seniors constantly search for top **TSX** dividend stocks that generate reliable and growing distributions to provide steady TFSA income.

Why use the TFSA?

The TFSA contribution limit increased by $6,000 in 2021. This brings the maximum total space to $75,500 per person. A retired couple would have $151,000 of investment room to generate tax-free income. All interest, dividends, and capital gains earned inside the TFSA remain beyond the reach of the CRA.

When the money is removed, the CRA doesn't count the earnings towards net world income. This is important for seniors who receive Old Age Security (OAS) pensions, since the CRA uses net world income to determine the OAS pension recovery tax, otherwise known as the OAS clawback.

Best TSX dividend stocks for a TFSA income portfolio

GIC rates don't even offset inflation right now and bond yields remain low.

As a result, many retirees are turning to dividend stocks to generate adequate returns on their savings. The best stocks to own tend to have long track records of dividend growth and currently offer decent guidance on payout increases.

Let's take a look at **TC Energy** (TSX:TRP)(NYSE:TRP) and **Fortis** (TSX:FTS)(NYSE:FTS) to see why they might be interesting picks right now.

TC Energy

TC Energy is a major player in the North American energy infrastructure industry with more than $100 billion in assets. Investors might recognize the stock for its cancelled Keystone XL oil pipeline project, but the bulk of TC Energy's operations focus on natural gas transmission and gas storage. The company also has power generation and some oil pipelines.

Natural gas will play an important role in the coming decades, as the planet transitions away from coal-fired power production. The company controlled by Warren Buffett spent US$10 billion on a natural gas transmission acquisition last year, so the investing legend is positive on the sector.

TC Energy's $20 billion secured capital program through 2024 should support steady growth in revenue and cash flow. The board expects to announce average annual dividend increases of 5-7% over the next few years.

The stock appears undervalued today. TC Energy trades near $59 per share compared to $75 before the pandemic. Investors who buy now can pick up a 5.9% dividend yield.

Fortis

Fortis is a North American utility company with close to $55 billion in assets. The businesses include power generation, electricity transmission, and natural gas distribution operations located in Canada, the United States, and the Caribbean.

Fortis raised the dividend in each of the past 47 years and expects to boost the distribution by an average annual rate of 6% through 2025. The strong outlook makes the stock attractive for TFSA income investors.

At the time of writing, Fortis trades for $54.50 per share and offers a 3.7% dividend yield. The return isn't as high as you get on some other dividend stocks, but Fortis is tough to beat for reliable distribution growth. The stock also tends to hold up well when the broader equity market goes through difficult times. We saw this last year when Fortis bounced back quickly after the initial market crash.

The bottom line on top TSX dividend stocks

TC Energy and Fortis are top TSX dividend stocks with attractive dividends that should continue to grow for years. If you have some cash sitting in a TFSA income portfolio, these stocks deserve to be on your radar.

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