3 Top Dividend Stocks for Reliable TFSA Income

Description

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

Why BCE is a good stock to buy for TFSA income

BCE (TSX:BCE)(NYSE:BCE) is a long-time favourite among pensioners for its generous dividend. That should remain the case, even though BCE looks a lot different than it did in the old days.

The communications giant has changed its business significantly over the past decade, adding media assets and growing the wireless networks. BCE is also expanding its fibre-to-the-premises roll-out and plans to invest heavily in new 5G technologies. The arrival of 5G presents BCE with new revenue opportunities. At the same time, the company should see the media group rebound from the pandemic hit to advertising and pro-sports revenues.

BCE enjoys a wide competitive moat and has the power to raise prices when it needs added revenue to cover the expansion of its capital program. Customers don't like paying higher fees, but BCE and its peers argue that Canada is a large country with a relatively small population. This makes it expensive to build out the network infrastructure required to ensure people have world-class communication services.

The stock appears priced at a slight discount right now and offers a solid 6% dividend yield.

Pembina Pipeline is a cheap stock with a great dividend

Pembina Pipeline (TSX:PPL)(NYSE:PBA) is a midstream energy infrastructure company with a 65-year history of providing Canadian energy producers with services that span the hydrocarbon value chain.

The company grows through strategic acquisitions and organic growth projects. Management put some of the capital program on hold to ride out the pandemic, but this should be back on track by the end of this year and in 2022. Pembina also moved quickly to strengthen the balance sheet last spring. This allowed the board to maintain the dividend hike it put in place before COVID-19 arrived and triggered the 2020 market crash.

The stock already enjoyed a nice bounce off the 2020 lows, but Pembina Pipeline still appears undervalued today. The company has a strong portfolio of projects to drive revenue growth in the coming years and is large enough to do deals to buy attractive assets as the industry consolidates.

Pembina Pipeline trades near $37 per share at the time of writing compared to $53 in February last year. Investors who buy now can pick up a 6.8% dividend yield and get a shot at some decent upside in the stock price.

Emera is a solid divided stock to ride out market volatility

Emera (TSX:EMA) is a Canadian utility company with assets based in Canada, the United States, and the Caribbean. The businesses include power generation and natural gas transmission. These tend to provide reliable and predictable revenue streams that hold up well in most economic conditions.

Emera has a $7.3 billion capital program in place through 2023. In the Q4 2020 earnings report, the company said it also sees the opportunity for another $1.2 billion in investments over that timeframe.

Rate-base growth should be 7.5%-8.5% per year, and the dividend is expected to increase by at least 4% annually this year and in 2022.

Emera's stock price isn't as cheap as it was in February, but investors still get a quality 4.5% dividend yield with reliable distribution hikes on the way.

The bottom line on top dividend stocks for a TFSA

BCE, Pembina Pipeline, and Emera all pay attractive dividends for a TFSA income fund. An equal investment in the three stocks would provide an average yield of more than 5.75% today. That's much better than a GIC!

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