



3 Top Canadian Dividend Stocks for TFSA Income Today

Description

Retirees and other income investors are searching for top Canadian dividend stocks to put in their Tax-Free Savings Accounts (TFSA) portfolios.

The TFSA advantage

The TFSA is a great tool for seniors who want to create an investment income stream without being bumped into a higher tax bracket. Seniors who receive Old Age Security (OAS) pensions also have to watch out for the [OAS pension recovery tax](#), otherwise known as the OAS clawback.

Earnings generated inside the TFSA are exempt from the CRA's net world income calculation used to determine the OAS pension adjustment.

Best Canadian stocks for TFSA income

The top stocks to own for a TFSA dividend fund tend to have long histories of raising their payouts. Let's take a look at **Telus** ([TSX:T](#))([NYSE:TU](#)), **TD Bank** ([TSX:TD](#))([NYSE:TD](#)), and **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) to see why they might be top dividend picks today.

Telus

Telus is a leading player in Canada's relatively cozy communications industry. The company has world-class wireless and wireline networks that provide Canadian retail and business clients with mobile, internet, and TV service. Telus is raising funds to invest in its [5G network](#) expansion. The company had a successful IPO of its international operations and just issued \$1.3 billion of new stock at a small market discount.

Telus Health could grow to become a significant revenue contributor, or even be the next IPO to unlock value in the business.

Telus trades for \$26.75 per share at the time of writing, down a bit from the 12-month high and gives investors a 4.8% dividend yield. The dividend should continue to grow at a steady pace and Telus stock tends to hold up well when the broader market goes through a [pullback](#).

TD

While TD stock isn't as cheap as it was last fall, the company remains a top pick for TFSA dividend investors.

The bank made it through the worst part of the pandemic in good shape. In fact, TD is sitting on roughly \$12 billion in excess capital it built up to ensure it could manage the worst-case economic scenarios.

This should lead to a generous dividend hike when the government gives the banks the green light to raise payouts. Investors could also see an aggressive share buyback program. In addition, TD might use the war chest to make a large acquisition in the United States to grow its American retail banking operations.

TD is a great buy-and-hold dividend pick. Investors who buy today can pick up a solid 3.8% yield.

Fortis

Fortis owns power generation, electricity transmission, and natural gas distribution businesses in Canada, the United States, and the Caribbean.

Revenue primarily comes from regulated assets. This means cash flow should be predictable and reliable in most economic conditions. Income investors like the utility for its long track record of dividend growth and its guidance on future distribution hikes.

Fortis has a \$19.6 billion capital program in place that should boost the rate base from \$30 billion in 2020 to \$40 billion in 2025. The board intends to raise the dividend by an average of 6% per year over that timeframe. Fortis has increased the distribution in each of the past 47 years.

The current payout provides a yield of 3.6%.

The bottom line on TFSA income stocks

Telus, TD, and Fortis are top Canadian dividend stocks that pay reliable distributions with great track records of dividend growth. The yields are not the highest in the TSX Index, but the payouts are safe and the stocks should deliver decent returns over the coming years.

In a world where GICs pay less than the rate of inflation, these stocks deserve to be on your TFSA radar.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:TD (The Toronto-Dominion Bank)
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4. TSX:FTS (Fortis Inc.)
5. TSX:T (TELUS)
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