



Retirees: 2 Top Stocks to Get \$300 Per Month in TFSA Income

Description

Retirees are using their Tax-Free Savings Account (TFSA) to hold top dividend stocks that generate a steady stream of tax-free income.

TFSA benefits

The TFSA limit increased by \$6,000 in 2021, bringing the total cumulative contribution space for retirees to a maximum of \$75,500 per person. All interest, dividends, and capital gains generated inside the TFSA remain beyond the reach of the CRA, which means retirees can put the full value of the earnings straight into their pockets.

In addition, the TFSA earnings don't count toward the net world income calculation the CRA uses to determine the Old Age Security (OAS) pension recovery tax. This is important for seniors who find themselves at or above the minimum income threshold for the [OAS clawback](#). The number to watch for the 2021 income year is \$79,845. Every dollar earned above that amount triggers a pension recovery tax of \$0.15.

A retiree with a net world income of \$89,845 in 2021 would see a \$1,500 reduction in the July 2022 – June 2023 OAS payment period. That's a big hit for someone on a tight budget.

Top TFSA income stocks

GIC rates don't even cover inflation these days, so investors are turning to [dividend stocks](#) to boost returns. Owning stocks carries risk, but the gap in the yield between some of the top **TSX** dividend stocks and GICs makes the decision easier. Investors should focus on established businesses with wide competitive moats and long track records of providing dividend growth.

BCE

BCE ([TSX:BCE](#))([NYSE:BCE](#)) is a long-time favourite among retirees for its generous and reliable dividend. The company looks much different now than it did back in the landline telephone days, but BCE has successfully shifted focus with the changing times and remains a dominant force in the Canadian communications industry.

BCE investment the funds needed to protect its competitive position and has extra cash to give investors a decent payout. The stock still looks reasonable at the current share price and offers a solid 5.7% yield.

Bank of Nova Scotia

While **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) might be Canada's third-largest bank, it's still a financial powerhouse with a current market capitalization of \$98 billion.

The bank has strong Canadian retail banking, commercial banking, and wealth management operations that are very profitable. In addition, the Bank of Nova Scotia has built up a large international business focused on the four key members of the Pacific Alliance trade bloc in Latin America: Mexico, Peru, Chile, and Colombia.

The pandemic hit the Pacific Alliance countries hard, but they will bounce back, helped by the strong global economic rebound that will drive higher demand for the copper and oil they produce. The long-term opportunities make the short-term risks worthwhile in this combined market of more than 230 million people.

Bank of Nova Scotia's current dividend provides a 4.4% yield. The government will likely give the banks the green light to boost dividends later this year or in early 2022. When that happens, investors should see a generous increase. Bank of Nova Scotia is sitting on significant excess cash and part of it will go to shareholders.

The big Canadian banks face some competition from digital disruptors, but they are formidable businesses and still enjoy a pretty good situation in the country. That's unlikely to change for some time.

The bottom line on TFSA income

An investment split between BCE and Bank of Nova Scotia would provide an average dividend yield of better than 5% today. A number of other top Canadian dividend stocks offer similar yields, and putting a diversified portfolio together to earn 5% would be quite easy.

On a \$75,500 TFSA, the 5% average dividend yield would generate \$3,775 per year. That's more than \$300 per month in extra tax-free income!

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:BNS (The Bank of Nova Scotia)
3. TSX:BCE (BCE Inc.)
4. TSX:BNS (Bank Of Nova Scotia)

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Author

aswalker

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