



## 1 Top High-Yield Dividend Stock for TFSA Income

### Description

Canadian retirees and other income investors are using their [TFSA](#) to hold top dividend stocks as part of their overall pension income strategy.

### TFSA benefits

Retirees who received Old Age Security (OAS) pensions should consider maxing out their TFSA contribution room before holding stocks in a taxable account.

All interest, dividends, and capital gains generated inside the TFSA are not taxable. This means the earnings don't bump you into a higher marginal tax bracket. It also means the CRA won't include the earnings in the net world income calculation used to determine the OAS pension recovery tax, also known as the OAS clawback.

Dividends earned inside a taxable account can really cause grief for retirees. The CRA uses the 38% dividend gross-up amount on these payouts when determining net world income. So, \$1,000 in dividends paid out in a taxable account would be considered \$1,380 in annual income.

Retirees who are near or over the minimum income threshold for the OAS clawback can take a big hit. The number to watch for the 2021 income year is \$79,845. This isn't hard to reach if you have a good company pension in addition to OAS, RRIF payments, and other taxable income.

### Top TFSA income stocks

Retirees have up to \$75,500 in TFSA contribution room in 2021. That's a lot of space that can generate decent dividend income from quality high-yield stocks. Owning stocks carries risk, so it makes sense to search for top companies with long track records of dividend growth. Businesses with wide moats are desirable, and it helps if the companies provide essential services or products.

## TC Energy

**TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)) is a leader in the North American natural gas transmission industry with assets located in Canada, the United States, and Mexico. The company also has power-generation facilities.

Natural gas is abundant in Canada and the United States and can be produced at low costs. When burned, the fuel produces less greenhouse gas than coal or oil, making natural gas an important fuel for power production in the coming years as the world transitions to renewable energy.

Millions of homes and businesses use natural gas to heat water and keep the building warm. Gas-fired appliances are also popular, especially in areas when electricity prices are extremely high.

The global market for liquified natural gas (LNG) is expanding, and TC Energy has the infrastructure in place to help producers get their gas to LNG terminals. TC Energy is also investing in [carbon sequestration](#) assets to help energy companies reach their [ESG](#) objectives.

Management has a \$20 billion secured capital program on the go that should support annual dividend increases of 5-7% over the medium term. TC Energy's current distribution provides a 5.5% yield. The stock trades near \$62 per share at the time of writing. That's down from \$75 before the pandemic, so there should be some decent upside opportunity.

## The bottom line for TFSA income

The TFSA is a great investment tool for pensioners who want to get extra income from their savings without worrying about being pushed into a higher tax bracket or getting hit with the OAS clawback.

TC Energy is one top dividend stock on the **TSX Index** that offers an above-average yield and should deliver attractive long-term returns for TFSA investors.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:TRP (Tc Energy)
2. TSX:TRP (TC Energy Corporation)

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