TFSA Retirees: How to Earn $7,000/Year and Supplement Your CPP Payout

Description

The Tax-Free Savings Account, or TFSA, was introduced in 2009. This registered account has gained in popularity over the years, given its tax-sheltered status. The maximum cumulative contribution limit for the TFSA stands at $75,500; for couples, the amount doubles to $151,000.

Any withdrawals from the TFSA in the form of dividends, interests, or capital gains are exempt from Canada Revenue Agency taxes. As interest rates are near record lows, it makes sense to hold blue-chip, dividend-paying stocks in your TFSA and create a steady stream of recurring income.

During retirement, you'll need to have multiple income streams, as it does not make sense to rely just on payouts from the Canada Pension Plan, or CPP. For example, the maximum monthly amount a new recipient starting pension at the age of 65 can receive stands at $1,203.75, while the average monthly payment is $619.75. We can see that the CPP is not sufficient to lead a comfortable life in retirement.

Retirees can look to leverage the benefits of the TFSA and derive tax-free dividend income each year, which will supplement CPP and other pension payouts. We'll look at several Canadian stocks that have strong fundamentals and tasty dividend yields that should be on the radar of TFSA retirees.

Banking stocks

Some of the largest Canadian companies are part of the banking sector. In the last year, the Big Six banks showcased their resilient fundamentals, coming out of the pandemic-induced recession almost unscathed. The Bank of Canada is likely to lift capital-return restrictions placed on banks, which means investors should brace for a round of solid dividend increases.

The top Canadian banks with attractive yields include the following:

- **Toronto-Dominion Bank**: 3.6%
- **Bank of Montreal**: 3.3%
- **Bank of Nova Scotia**: 4.5%

Pipeline stocks for your TFSA

While oil producers were crushed amid COVID-19, midstream companies that have a fee-based business model became appealing bets. A contract-based business generally suggests that cash flows will be assured across economic cycles, allowing pipeline companies to increase dividends over time. Here are three Canadian pipeline companies that have a diversified base of cash-generating assets:

- **Enbridge**: 6.8%
- **TC Energy**: 5.6%
- **Pembina Pipeline**: 6.4%

Renewable energy stocks

The shift towards clean energy solutions makes renewable energy companies obvious choices for long-term investors. The increase in capital expenditures will increase the asset base of renewable energy firms and support dividend increases going ahead. A few quality stocks part of this sector include the following:

- **Algonquin Power & Utilities**: 4.4%
- **TransAlta Renewables**: 4.5%
- **Capital Power**: 4.9%
- **Brookfield Renewable**: 3.3%

Telecom stocks

The telecom industry is fairly recession proof given that people will continue to pay their phone and internet bills in good times and bad. The upcoming transition towards 5G will be a key revenue driver for telecom companies in the upcoming quarters.

Canada’s top telecom companies include the following:

- **BCE**: 5.8%
- **Telus**: 4.6%
- **Rogers Communications**: 3.1%

The Foolish takeaway

These are just a few blue-chip companies that are part of the Canadian stock market. You can identify several other stocks that have strong financials and steady cash flows as well as attractive dividend yields. If you allocate $151,000 equally across the above-mentioned stocks, you will be able to derive close to $7,000 in annual dividends, or $582 in monthly payouts.

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