



Retirees: 2 Top Passive-Income Stocks for a TFSA

Description

Canadian retirees are searching for ways to get more passive income from their retirement savings.

TFSA investing for passive income

The TFSA is a great tool to get tax-free earnings. All interest, dividends, and capital gains earned inside the TFSA remain beyond the reach of the CRA. This is helpful for all passive-income investors, but retirees who collect Old Age Security (OAS) pensions get an extra benefit. The income received from TFSA gains is not counted towards the net-world income calculation the CRA uses to determine the OAS pension recovery tax, also known as the OAS clawback.

GICs pay less than the rate of inflation these days, so income investors are turning to [dividend stocks](#) to boost returns. Let's take a look at two top Canadian dividend stocks that might be attractive picks right now for a TFSA income portfolio.

Pembina Pipeline

Pembina Pipeline ([TSX:PPL](#))([NYSE:PBA](#)) is a key player in the midstream segment of the Canadian energy industry, providing a wide variety of services to oil and gas producers. The company has grown significantly over the past 65 years by making strategic acquisitions and investing in new internal projects.

Management did a good job of shoring up the balance sheet in the early stages of the pandemic. Pembina Pipeline also deferred some capital projects. Now that the energy industry is getting back on its feet, the company is looking to take advantage of growth opportunities. Pembina Pipeline is hoping to buy **Inter Pipeline** in a [deal](#) that would create one of Canada's largest energy infrastructure firms. The company has also announced partnerships for an LNG development and a new carbon dioxide sequestration project.

The board maintained the monthly distribution at \$0.21 per share last year. As the new projects and

acquisitions get completed, investors should see steady payout hikes. At the time of writing, the stock trades near \$40 per share and provides a 6.25% dividend yield.

Bank of Nova Scotia

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) made it through the worst part of the pandemic in good shape. Loan losses on the Canadian personal and commercial banking operations have been much lower than feared thanks to the extensive government aid programs targeted at homeowners and businesses. As the assistance winds down in the coming months, there will likely be a jump in defaults, but Bank of Nova Scotia has adequate capital set aside to cover the potential losses.

The international operations will take a bit more time to recover. Bank of Nova Scotia has a significant presence in Peru, Chile, Mexico, and Colombia. The Pacific Alliance countries have been hit hard by COVID-19, but the recovery in copper and oil markets should pave the way for a strong rebound.

Bank of Nova Scotia has a great track record of dividend growth. The Canadian banks will likely get the green light to raise distributions again later this year or in early 2022. When that happens, investors should see a large payout increase. In the meantime, investors can pick up a solid 4.5% yield.

The bottom line on passive income

Owning stocks carries risk, but so does holding GICs that pay less than the rate of inflation. Investors can get much better returns from top TSX dividend stocks today and have a shot at booking capital gains if share prices move higher. Pembina Pipeline and Bank of Nova Scotia pay attractive distributions with above-average yields. Dividend growth should continue in the coming years.

If you have some cash to put to work in a TFSA income portfolio, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:PBA (Pembina Pipeline Corporation)
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