



Retirees: 2 Top Dividend Stocks for TFSA Passive Income

Description

Canadian pensioners are searching for top dividend stocks to generate reliable passive income inside their TFSA portfolios.

TFSA passive income

The TFSA is a helpful tool for retirees. All income earned inside the TFSA is tax-free, and the CRA does not use the earnings when it calculates net world income to determine potential [OAS pension recovery taxes](#).

For retirees who receive OAS, CPP, company pensions, and other taxable income, this can be a big deal. The OAS clawback is 15 cents on every dollar earned above the minimum threshold. For the 2021 income year, the threshold amount is \$79,845. Dividends earned in a taxable investing account can be particularly damaging, since the CRA uses the gross-up amount for the net world income total.

Inside the TFSA, the dividends are treated the same as interest or capital gains, meaning the CRA doesn't include them in your earnings numbers.

Let's take a look at two top dividend stocks that might be good picks to earn tax-free TFSA passive income.

BCE

BCE ([TSX:BCE](#))([NYSE:BCE](#)) is Canada's largest communications company providing mobile, internet, and TV services across the country. The business also has a media division that includes interests in pro sports teams, radio stations, a television network, specialty channels, and retail stores.

The CRTC's decision in May to cancel planned cuts to wholesale internet rates is good news for BCE, as it gives the company a clearer picture on future revenues. BCE hiked its capital plan by \$500 million on the news.

BCE continues to invest in its fibre-to-the-premises lines and 5G network. The company's recent \$2 billion purchase of additional 3,500 MHz spectrum at auction positions BCE well for the expansion of its [5G](#) services.

BCE has a long track record of providing steady dividend growth supported by strong free cash flow generation. The stock isn't cheap right now after the latest surge, but you get a solid 5.3% dividend yield. That's a lot better than any GIC will pay for quite some time.

Bank of Nova Scotia

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) is Canada's third-largest bank. The stock has underperformed some of its peers this year due to market concerns around the international business. Bank of Nova Scotia has a large presence in Latin America with the core operations located in the Pacific Alliance countries that include Mexico, Peru, Chile, and Colombia.

The pandemic hit Latin America hard, and it will take time for the region to recover. That said, the long-term opportunities remain attractive, and Bank of Nova Scotia continues to earn good profits in the Latin American market. In fiscal Q3 2021, Bank of Nova Scotia generated adjusted net income of \$493 million in the international business. Total adjusted net income for the entire bank in the quarter came in at \$2.56 billion.

Bank of Nova Scotia finished Q3 with a CET1 ratio of 12.2%. The bank is required to have a CET1 ratio of 9%, so there is excess capital that can go toward dividend hikes and share buybacks as soon as the Canadian banks get the green light to resume these programs.

The stock is off the 2021 high, giving investors a chance to buy on a dip and pick up an attractive 4.6% dividend yield.

The bottom line on TFSA passive income

BCE and Bank of Nova Scotia are top TSX dividend stocks that offer above average distributions that should continue to grow in the coming years. If you are searching for high-yield stocks for TFSA passive income, these companies deserve to be on your buy list.

CATEGORY

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2. NYSE:BNS (The Bank of Nova Scotia)

3. TSX:BCE (BCE Inc.)
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