Retirees: 1 Top TSX Dividend Stock for TFSA Income

Description

Canadian retirees are using their self-directed TFSAs to hold top TSX dividend stocks. The market isn't cheap these days, but investors can still find high yields from quality stocks for a passive-income portfolio.

TFSA benefits

The TFSA is a great tool for pensioners who want to earn extra income from their savings without putting their Old Age Security (OAS) pensions at risk.

Inside the TFSA, all interest, dividends, and capital gains are generated tax-free. In addition, the profits that are removed do not get counted by the CRA as part of your net world income. This is important for retirees who receive OAS pensions and have taxable income that is near or above the threshold for the OAS clawback. That amount is $79,845 for the 2021 income year. The CRA collects a 15% OAS pension recovery tax on every dollar of net world income above the threshold amount.

GICs are safe, but their returns don't even cover inflation these days. As a result, many retirees are turning to dividend stocks to get better yields.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) trades near $51 per share and offers a 6.5% dividend yield. The share price has clawed back a good chunk of the losses it sustained last year, and it wouldn't be a surprise to see it retest the 2020 high around $56 sometime in 2022.

Enbridge's natural gas transmission, storage, and distribution businesses are often overlooked by investors who simply focus on the oil pipelines, but Enbridge is a major player in the natural gas sector. The company moves about 20% of the natural gas consumed in the United States and its utility businesses distribute natural gas to millions of homes and businesses.

Enbridge also has a growing renewable energy division with solar and wind projects making up a good part of the portfolio. Capital investments are still going toward oil pipeline infrastructure, but Enbridge's natural gas and renewable energy groups are seeing the bulk of the focus, and that should continue in the coming years. Natural gas has a strong future as a transition fuel from oil and coal-fired power production to more reliable renewable sources. It will take a long time for the world to get to the point where fossil fuels can be eliminated as sources of power production. Wind and solar have their limits, especially in situations where extreme weather conditions cause a spike in energy demand.

Outlook

Enbridge raised its dividend late last year, even though the company had a rough ride on the oil pipeline side of the business. Throughput on the oil pipelines has improved in 2021, and the natural gas and renewable energy groups continue to balance out the revenue stream.

Enbridge has a solid capital program in place, and new organic projects should continue to emerge across the asset base. In addition, Enbridge can take advantage of its $100 billion market capitalization to make strategic acquisitions to boost growth.

The dividend should be safe, and you get a great yield at the current share price.

The bottom line on TFSA income

The TFSA is a good option for retirees who want to invest extra cash and not worry about the income putting their OAS at risk. If you are searching for a high-yield dividend stock for your portfolio, Enbridge deserves to be on your radar.

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