



Retirees: The 2 Best Canadian Dividend Stocks for Passive Income

Description

Most older Canadian adults nearing retirement are worried about replacing their pre-retirement income through income streams that can help them live a comfortable retired life once their regular paychecks end. The Canada Pension Plan (CPP) and the Old Age Security (OAS) pension programs can provide you with some retirement income. However, these pensions might not be enough to help you maintain your current lifestyle in retirement.

Creating another revenue stream that can supplement your CPP and OAS pension benefits is the ideal way to proceed. Additional income streams can also risk moving you to a higher tax bracket by increasing your overall retirement income. However, it is possible to earn more retirement income through your investments without worrying about incurring additional income taxes.

Using your [Tax-Free Savings Account](#) (TFSA) to hold a portfolio of income-generating assets can help you earn more money without incurring more taxes. Today, I will discuss two Canadian dividend stocks that you can buy and hold to begin building such a TFSA portfolio.

Bank of Nova Scotia

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) is not the largest among the Canadian Big Six banks, nor has it outperformed its peers on the stock market this year. However, Scotiabank stock possesses the potential to catch up and go beyond them, as the global recovery in a post-pandemic era provides the much-needed boost to its international operations.

The Canadian bank has made significant investments in the Pacific Alliance countries, including Mexico, Peru, Columbia, and Chile. The pandemic struck these countries hard and resulted in the bank underperforming its peers. The bank's presence in these countries could offer it the boost it needs due to the long-term growth potential in these countries.

Experts anticipate the economies in these countries to grow at a more rapid pace than G7 countries in the coming years. Scotiabank's presence there could help the bank capitalize on the trend and boost its revenues. At writing, the stock is trading for \$76.72 per share, and it boasts a juicy 4.69% dividend

yield.

Fortis

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) is a Canadian utility holdings company with 10 regulated utility businesses operating in Canada, the U.S., and the Caribbean. The highly rate-regulated and long-term contracted nature of its business provides Fortis with the ability to generate predictable, safe, and reliable cash flows that it can use to fund its growing dividends comfortably.

Fortis stock boasts a 47-year dividend-growth streak, and the Canadian Dividend Aristocrat does not show any signs of slowing down its dividend hikes. The company is currently investing in expanding its rate base. Its \$19.6 billion capital projects will continue until 2025, and its management is considering adding more developments that could go beyond 2025.

With considerable cash flows and a rising rate base expected in the coming years, the company can comfortably keep raising its dividends for years to come. At writing, the stock is trading for \$57.71 per share, and it boasts a juicy 3.50% dividend yield.

Foolish takeaway

All investments you make in your TFSA are made using after-tax dollars. It means that you have already paid the taxes you owed for the assets held in your account, and you can let it grow without worrying about paying more taxes on it. Earning [tax-free passive income](#) could be perfect for would-be Canadian retirees.

If you start early with TFSA investing with this goal in mind, you can reinvest your dividend income to purchase more shares of dividend stocks and unlock the power of compounding to accelerate your wealth growth. Once you reach retirement, you can begin withdrawing the dividend income to [supplement your retirement income](#) for a more comfortable retired life.

Fortis stock and Scotiabank stock could be ideal assets to begin building such a retirement income portfolio.

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