2 Top High-Yield Stocks to Buy Now for Passive Income

Description

Retirees and other dividend investors are searching for top high-yield stocks to add to their TFSA portfolios focused on passive income.

Pembina Pipeline

Pembina Pipeline (TSX:PPL)(NYSE:PBA) pays a monthly dividend of $0.21 per share. The yearly distribution of $2.52 per share works out to a yield of 6% at the current stock price of $42 per share.

The monthly payments are attractive for retirees who want to get steady investment income to complement their CPP, OAS, and other pensions. This is a great stock to stick in a self-directed TFSA income fund.

Pembina Pipeline has provided midstream services to energy producers for 65 years. The business expanded through acquisitions and capital projects and now offers oil and gas companies a one-stop shop for most of their needs. Pembina Pipeline has an integrated system of pipelines largely located in western Canada. Gas gathering and processing facilities are also part of the mix, as is a logistics business. Looking ahead, Pembina Pipeline has its sights on export terminals, carbon sequestration, and potential additional pipeline deals.

The company isn’t afraid to make big acquisitions to drive growth and recent partnerships on ESG and LNG development projects could expand the revenue base in the coming years.

Investors who bought the stock at the bottom of the 2020 crash are already sitting on big gains. However, Pembina Pipeline still offers decent upside potential from the current level. The stock traded at $53 before the pandemic.

BCE

BCE (TSX:BCE)(NYSE:BCE) is up 15% this year, which is a good gain for a telecom stock. The rally actually peaked in early September around $67. Profit taking in recent weeks has the share price back down to $63 at the time of writing.

The dip might be due to market concerns that interest rates could start to move up sooner and by larger amounts than previously expected. Rising interest rates can be a headwind for this stock, as investors might sell their positions to put money in safer fixed-income alternatives, like GICs.

Investors should keep this in mind when evaluating BCE as an investment. However, BCE's dividend yield is about 5.5% today, and the rate you get from a five-year GIC right now is about 2%. Interest rates will have to move a lot before the gap closes enough to warrant a large shift of funds out of the telecom giant.

BCE's dividend should continue to grow at a steady pace, helping offset any rate hikes. While the market is starting to price in earlier moves by the Bank of Canada to address inflation, at least one economist is predicting a possible recession next year due to high energy prices. If inflation cools off or the economy hits a speed bump, rate hikes could go on the back burner for a few more years.

BCE is investing in next generation networks. The company is expanding its fibre-to-the-premises initiative and recently spent $2 billion on spectrum for its 5G rollout. These investments should open the door for revenue growth while helping protect BCE's competitive moat.

The share price looks attractive at the current level, and any further downside would offer a good opportunity to add to the position.

The bottom line on TFSA passive income

Pembina and BCE should be solid buy-and-hold dividend stocks for a TFSA focused on high-yield passive income. If you only buy one, I would make Pembina Pipeline the first choice today.

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aswalker