



2 Top Dividend Stocks to Buy Now for TFSA Retirement Income

Description

Income investors are using their Tax-Free Savings Account (TFSA) to hold top dividend stocks that provide a reliable and steady stream of tax-free earnings.

BCE

BCE ([TSX:BCE](#))([NYSE:BCE](#)) recently spent \$2 billion on a new spectrum that will be the foundation of a big expansion of the company's 5G network. As Canada's largest communications company, BCE has the financial firepower to make the investments needed to keep up with technological advancements and broaden its competitive moat. In fact, BCE's market capitalization of \$57 billion is more than \$20 billion higher than Telus, which is currently the second-largest player in the country.

BCE is also making progress on its fibre-to-the-premises initiative that brings fibre optic lines directly to homes and businesses. This gives customers access to world-class broadband and provides BCE with opportunities to grow subscriber revenues from new services.

BCE generates strong cash flow to support its dividend. The company confirmed its 2021 financial outlook when it reported Q2 2021 results. Adjusted EBITDA growth is on target to be 2%-5% this year. Free cash flow for 2021 will be \$2.8 to \$3.2 billion.

The dividend should continue to grow at a steady pace in the coming years. BCE currently trades near \$63 per share compared to the 2021 high around \$67. Investors who buy now can pick up a 5.5% dividend yield.

Five-year [GIC](#) rates are barely above 2% these days, so BCE remains an attractive alternative for income investors.

TC Energy

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) is up 30% in 2021, but the stock still offers an attractive 5%

dividend yield and investors could see more share-price upside in the coming months.

The company is working through a \$21 billion capital program that will support revenue and cash flow growth in the next few years. This should enable the board to raise the dividend by at least 5% annually over the medium term. TC Energy is primarily a natural gas transmission and storage firm with more than 90,000 km of natural gas pipeline infrastructure in Canada, the United States, and Mexico. The company also has power generation facilities and oil pipelines.

Consolidation is expected to continue in the sector and TC Energy is large enough to make big acquisitions to boost growth on top of the capital projects.

Natural gas shortages are currently hitting power producers around the world. The shortage of liquified natural gas (LNG) should drive new investment in LNG facilities in Canada and the United States. TC Energy's existing pipeline network and projects under construction place it in a good position to benefit from the rising demand for natural gas produced in North America.

TC Energy's \$100 billion in assets deliver reliable and predictable revenue streams, so the distributions to investors should be very safe, even when the domestic or global economy hits a rough patch.

With the energy sector headed for a strong 2022, it wouldn't be a surprise to see the stock hit the pre-pandemic price of \$75 before the end of next year.

The bottom line on top dividend stocks for passive income

BCE and TC Energy are top **TSX** dividend stocks that offer above-average yields. The distributions should continue to grow at a steady pace in the coming years and the share prices appear reasonable right now in an expensive market.

CATEGORY

1. Investing

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2. NYSE:TRP (Tc Energy)
3. TSX:BCE (BCE Inc.)
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