Retirees: 2 Top Passive Income Stocks to Buy

Description

The **S&P/TSX Composite Index** has been in a little disarray again as we inch closer to 2022. At writing, the Canadian benchmark index is up 19.38% but down by almost 4% from its all-time high in November 2021.

The market volatility might make for some confusing conditions for Canadian investors trying to identify assets that can help them secure rapid profits during the next uptick. But if you are a Canadian retiree, your concern might be geared more towards securing a *stable* income stream that can supplement your retirement pensions.

If you are a Canadian retiree with a Tax-Free Savings Account (TFSA), you can use dividend investing with a self-directed portfolio of income-generating assets to secure a tax-free income stream. You can use the right combination of Canadian dividend stocks to earn a passive income that can boost your overall retirement income without moving you to a higher tax bracket.

Today, I will discuss two top passive income stocks you could consider buying for this purpose.

Canadian Imperial Bank of Commerce

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is a $63.92 billion market capitalization bank part of Canada's Big Six Banks. Like its peers among the Big Six, CIBC stock managed to power through the worst period of the pandemic-fueled frenzy relatively unscathed. The bank stock is well-positioned to emerge as a significant force in the Canadian banking industry in the aftermath of the pandemic.

The bank stock recently released its final earnings report for fiscal 2021, and it marked the occasion by announcing a 10% dividend hike and a share buyback plan. At writing, the bank stock is trading for $141.79 per share. CIBC stock is up by 31.26% year to date, but it is down by almost 7% from its all-time high several weeks ago. It boasts a 4.54% dividend yield at current levels.

Fortis

Fortis Inc. (TSX:FTS)(NYSE:FTS) is a $27.33 billion market capitalization utility holdings company that owns and operates several utility businesses across Canada, the US, and the Caribbean. Fortis stock is a bond proxy due to its virtually guaranteed shareholder dividends. It is also a Canadian Dividend Aristocrat just two years shy of becoming a Canadian Dividend King, with its 48-year dividend growth streak.

Fortis relies on highly rate-regulated and long-term contracted assets to earn most of its revenues. The company generates predictable cash flows that Fortis' management can use to comfortably fund its capital programs and grow shareholder dividends. At writing, the stock is trading for $57.74 per share, and it boasts a juicy 3.71% dividend yield.

Foolish takeaway

You can buy and hold these dividend stocks in your TFSA portfolio and reinvest your dividend income to generate even more passive income if you are nearing retirement. You can then withdraw the money whenever you need it without incurring additional income tax.

Reinvesting your dividends in a TFSA also does not impact your contribution limit. It means that you can create a substantial and tax-free revenue stream to supplement your retirement income.

Fortis stock and CIBC stock could be ideal additions to your TFSA portfolio for this purpose.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:FTS (Fortis Inc.)
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