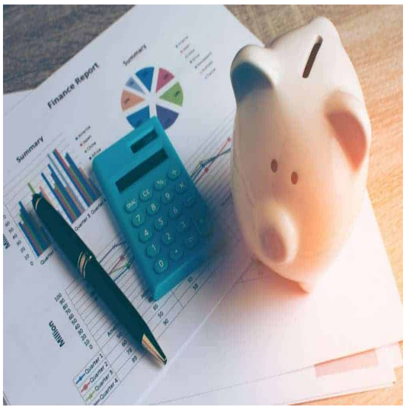

Retirees: How to Earn More Income in Your TFSA

Description

Some retirees are keeping their money safe by placing it in their savings accounts. Others are getting higher interest income by storing money in GICs, while ensuring that the maturity dates are in time to cater to their spending needs.

Retirees should consider putting money they don't need for a long time in dividend stocks in TFSA investing accounts for more income. From the TFSA, you can conveniently withdraw the dividend income tax free. The withdrawals won't affect other benefits such as your Old Age Security.

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With a long-term investing mindset in your TFSA, you can ride out market volatility. Choose a basket of quality dividend stocks to invest in and aim to buy them when they trade at good valuations.

One dividend stock that could be a good candidate for juicy retirement income is **Manulife** (TSX:MFC)(NYSE:MFC). The life and health insurance company has made a comeback from the financial crisis of 2007/08. Since 2012, the dividend stock has increased its earnings per share by about 11%.

A cheap dividend stock

It seems the market isn't giving enough credit for Manulife's stable results since 2012, though. At $26.54 per share, at writing, the dividend stock trades at a 2019 price-to-earnings ratio (P/E) of approximately 8.9. I use the 2019 ratio as a gauge for normal valuation, because last year's results aren't fully out yet.

In the first three quarters of 2021, Manulife reported earnings per share of $2.51, up 23% year over year. The return on equity was 13.7%, up from 10.8% in the same period a year ago.

The financial results for Q4 2021 will be released on the evening of February 9. But for the full year 2021, the consensus expectation is solid results. And the consensus indicates it's trading at a dirt-cheap forward P/E of about 7.6.

Other than steady, growing earnings, in the long run, the stock should also benefit from the expected rising interest rates, as about 83% of its portfolio is in fixed-income assets, including 34% in corporate bonds and 18% in government bonds.

Earn more retirement income with Manulife stock

Manulife stock is a proud Canadian Dividend Aristocrat. Specifically, it has increased its dividend for eight consecutive years. This dividend-growth streak aligns with its earnings recovery that was initiated in 2012. Its earnings have become more stable since then. Its payout ratio is estimated to be sustainable at less than 40% of earnings, which will help support safe dividend payouts.

Currently, Manulife's quarterly dividends add up to $1.32 per share annually. That's a juicy yield of close to 5%. Consequently, the dividend stock is a good candidate for juicy retirement income. For example, $15,000 invested in Manulife today would generate passive income of close to $750 a year.

Again, do not park all your money in Manulife, no matter how cheap it may be. Retirees should diversify the risk in their retirement portfolios. The dividend stock portion should be diversified across a basket of at least 10 solid dividend stocks in different industries to ensure the stocks aren't affected by the same operating challenges.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:MFC (Manulife Financial Corporation)
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