Retirees: 2 Top TSX Stocks for Reliable TFSA Passive Income

Description

Canadian seniors are searching for top dividend stocks to add to their self-directed TFSA portfolios focused on generating steady tax-free income.

BCE

BCE (TSX:BCE)(NYSE:BCE) is one of those stocks retirees can simply buy and own for years without having to worry about the safety of the payout. The company is Canada's largest player in the communications sector with a market capitalization of more than $66 billion. Being big is an advantage in an industry that requires significant investment to maintain the world-class network infrastructure needed to deliver the broadband services home and businesses demand.

BCE spent $2 billion on new 3,500 MHz spectrum last year. This is required to expand the 5G network that BCE is building to drive future revenue growth. BCE is also extending its fibre-to-the-premises initiative that runs fibre optic lines right to the building of its customers. BCE expects to connect an additional 900,000 clients with fibre in 2022.

The capital outlays are large, but BCE still generates enough free cash flow to support the generous dividend. BCE raised the payout by 5% for 2022, and investors should see a similar increase next year. The company expects free cash flow to grow as much as 10% in 2022 compared to 2021.

Investors who buy the stock at the time of writing can pick up a 5% dividend yield.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) currently provides a dividend yield of 3.4%. That is lower than investors can get from many other TSX dividend stocks, but Fortis still deserves to be an anchor pick for a TFSA portfolio geared to passive income.

Why?

Fortis raised its dividend in each of the past 48 years. The company is working on a $20 billion capital program that will boost the rate base from $31 billion at the end of 2021 to above $40 billion by 2026. As a result, Fortis expects revenue and cash flow growth to support average annual dividend increases of 6% through 2025. Fortis has a number of other projects under consideration that might get added to the capital program. This would potentially increase the size of the payout hikes or extend the outlook for dividend growth.

Fortis also has a knack for making successful strategic acquisitions. The company hasn't done a deal for several years, but it wouldn't be a surprise to see Fortis buy another utility business as the sector consolidates.

Fortis gets 99% of its revenue from regulated assets. The businesses include power generation, electric transmission and natural gas distribution operations in Canada, the United States, and the Caribbean. Cash flow tends to be predictable and reliable. That's important for investors who rely on their holdings for passive income.

The bottom line on top TSX stocks for passive income

BCE and Fortis are top dividend stocks that should continue to provide investors with steady distribution growth. If you have some cash to put to work in a TFSA, these stocks deserve to be on your radar for a portfolio designed to provide reliable and growing tax-free passive income.

CATEGORY

1. Dividend Stocks
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2. NYSE:FTS (Fortis Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:FTS (Fortis Inc.)

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