Retirees: 2 Solid Dividend Stocks for TFSA Passive Income

Description

Canadian retirees are using their TFSA to hold top dividends stocks with growing payouts to generate a steady stream of tax-free passive income. The cumulative TFSA limit is up to $81,500 per person, so there is ample room to build a decent income fund.

BCE

BCE (TSX:BCE)(NYSE:BCE) has been a top pick among retirees for decades, and there is still good reason for pensioners to own the stock.

Rapid changes in the communications industry force BCE to make the investments needed to protect its wide competitive moat. The company spent $2 billion last year on 3,500 MHz spectrum that will support the expansion of BCE's 5G network. This will open up new revenue opportunities for BCE in the coming years.

BCE is also connecting customers directly to its fibre optic wireline network. This gives people and businesses the high-speed broadband access they need for work or entertainment. Owning the line that runs to the building gives BCE an advantage and helps it retain customers.

The company's other assets include a media group that is home to a TV network, specialty channels, radio stations, and part-ownership of pro sports teams. BCE also has retail locations across the country.

Management expects free cash flow to increase by 2-10% in 2022, despite the big expenses on the network expansion. This should support a dividend increase of around 5% for 2023. the board raised the payout by that amount for this year.

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

TC Energy

TC Energy (TSX:TRP)(NYSE:TRP) is a leader in the North American energy infrastructure sector with a focus on natural gas transmission. The company operates more than 93,000 km of natural gas pipelines as well as significant natural gas storage facilities. Power generation and oil pipelines round out the portfolio.

The natural gas market is expected to be strong for many years. Utilities around the globe are converting oil and coal plants to use natural gas for power generation, even as they ramp up spending on solar, wind, and geothermal power. The renewable resources are preferred suppliers of power, but they have limitations. As a result, natural gas will remain important for the generation of electricity for decades.

TC Energy has a $24 billion capital program in place that is expected to drive average annual EBITDA growth of 5% in the next few years. That should support annual dividend increases of 3-5%.

At the time of writing, the stock provides a 4.9% dividend yield.

The bottom line

BCE and TC Energy are leaders in their industries and have long histories of paying investors attractive and growing dividends. If you have some cash to put to work in a TFSA focused on passive income, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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3. TSX:BCE (BCE Inc.)
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