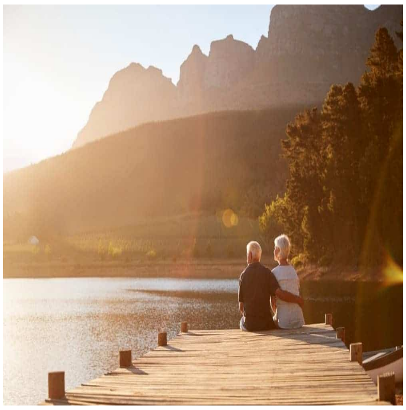

TFSA Passive Income: 2 High-Yield Dividend Stocks for Pensioners

Description

Canadian retirees are searching for top TSX dividend stocks to generate attractive tax-free passive income inside a self-directed TFSA.

TC Energy

TC Energy (TSX:TRP)(NYSE:TRP) is the former TransCanada. The company owns and operates 93,000 km of natural gas transmission pipelines in Canada, the United States, and Mexico. TC Energy also has oil pipelines, vast natural gas storage facilities, and power generation plants.

The $100 billion asset base generates reliable revenue and cash flow. TC Energy has $25 billion in capital projects on the go that should support revenue growth, as the new assets are completed and get put into service. Management expects cash flow to increase enough to support dividend hikes of 3-5% over the medium term.

Global demand for natural gas is expected to rise in the coming years, especially for liquified natural gas (LNG), which can be shipped around the world on special ships. Europe intends to buy significantly more LNG from the United States, as it shifts away from its reliance on Russia. Asian countries are also ramping up LNG demand, as they convert power plants from coal and oil to natural gas. This provides an opportunity for Canadian producers to ship LNG to Asia from the British Columbia coast.

TC Energy has infrastructure in place or under construction to move natural gas from key production regions to LNG sites in the United States and Canada. The market might not fully appreciate the potential size of the LNG segment in the coming years.

TC Energy has increased the dividend every year for more than two decades. At the time of writing, investors can pick up a 4.9% dividend yield and wait for the next distribution increase.

Manulife Financial

Manulife (TSX:MFC)(NYSE:MFC) trades near $23.50 per share at the time of writing compared to $28 earlier this year. The pullback in the stock price looks overdone, and investors have a chance to buy the insurance and wealth management giant at an attractive discount.

Manulife has made good progress in recent years in its efforts to remove risk after taking a beating during the Great Recession. The company recently closed a deal to reinsure 75% of its legacy U.S. variable annuities business as part of that process. The deal unlocked $2.4 billion in value, which is being allocated to the aggressive share-buyback plan.

The stock is down amid the broader dip in the financial sector. Manulife also reported weak Q1 2022 results as a result of the surge in COVID-19 cases in the United States and Asia in the first part of this year. The COVID-19 impacts should decrease through the rest of 2022.

Looking ahead to 2023 and beyond, rising interest rates should benefit Manulife in the next couple of years, as the company will be able to generate better returns on the cash it has to set aside for potential claims.

Manulife raised the quarterly dividend by 18% to $0.33 per share late last year. Investors who buy the stock at the current price can pick up a 5.6% dividend yield.

The bottom line on top stocks for passive income

TC Energy and Manulife are leaders in their industries and offer high-yield dividends that should continue to grow. 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

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. NYSE:TRP (Tc Energy)
3. TSX:MFC (Manulife Financial Corporation)
4. TSX:TRP (TC Energy Corporation)

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