



TFSA Passive Income: 2 Monthly Dividend Stocks for Canadian Retirees to Buy Now

Description

Canadian pensioners are using their Tax-Free Savings Accounts ([TFSA](#)) to hold top [dividend stocks](#) that can generate reliable and growing streams of tax-free passive income. The TFSA is great for retirees who want to avoid seeing investment income bump them into a higher tax bracket or put Old Age Security (OAS) payments at risk of a clawback.

Pembina Pipeline

Pembina Pipeline ([TSX:PPL](#))([NYSE:PBA](#)) has a 65-year history of providing midstream services primarily to Canadian oil and natural gas producers. The company has grown over the years through strategic acquisitions and internal projects and is now a key player in the sector with a current [market capitalization](#) of \$26 billion.

Pembina Pipeline reported solid second-quarter (Q2) 2022 results. Adjusted cash flow from operating activities came in at \$683 million — up from \$538 million in the same period last year. Management raised full-year 2022 guidance as a result. The company now expects adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) to be \$3.575-\$3.675 billion compared to the previous outlook for adjusted EBITDA of \$3.45-\$3.6 billion.

Strong oil and natural gas demand is projected to remain in place for years, and high prices will lead to more investment in production. This is particularly the case now that Canadian natural gas is increasingly destined for international markets.

Pembina Pipeline pays a monthly dividend of \$0.21 per share. The payout is expected to increase by 3.6% before the end of the year. At the time of writing, investors can pick up an annualized yield of 5.25%.

Pembina Pipeline stock looks cheap at less than \$48 per share. The stock was above \$53.50 in early June. A drop in oil prices predictably drove down producer stock prices, but the dip in the energy

infrastructure names appears overdone.

TransAlta Renewables

TransAlta Renewables ([TSX:RNW](#)) owns solar, wind, hydroelectric and gas-fired power-generation assets in Canada, the United States, and Australia. The company is also building battery storage installations.

TransAlta Renewables had a rough run through 2021 with revenue taking a hit from an unplanned outage at a gas-fired power station followed by the discovery that the foundations supporting 50 wind turbines at its Kent Hills location in New Brunswick will need to be replaced. Investors dumped RNW stock as a result, sending the share price as low as \$16 in June this year from a high of \$23 in 2021.

TransAlta says the Kent Hills wind farm will be back in service by the middle of 2023. In the meantime, new assets are making up for the drop in revenue. TransAlta Renewables generated free cash flow of \$87 million in Q2 2022 compared to \$71 million in the same period last year. For the first six months of 2022, free cash flow came in at \$195 million compared to \$170 million in 2021.

TransAlta Renewables pays its dividend monthly. The current annualized yield is 5.2%. TransAlta Renewables stock is back up to \$18 at the time of writing, but it still looks [undervalued](#). The restart of the Kent Hills sites next year will provide a nice boost to cash flow, and that will probably drive up the share price.

The bottom line on top stocks to buy for monthly dividends

Pembina Pipeline and TransAlta Renewables pay attractive monthly dividends with high yields. If you have some cash to put to work in a TFSA focused on passive income, these stocks look cheap today and deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:PPL (Pembina Pipeline Corporation)
3. TSX:RNW (TransAlta Renewables)

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Date

2025/08/24

Date Created

2022/08/16

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