



3 Dividend Stocks for Your TFSA

Description

There generally seems to be some confusion around Tax Free Savings Accounts (TFSAs), so let's start by making one thing clear: You can hold all sorts of investments in your TFSA. This includes stocks, bonds, mutual funds, ETFs, and GICs. In that sense, it's just like an RRSP.

Importantly, you aren't taxed on any investment income you make inside a TFSA. So this means you want to devote your TFSA to investments that otherwise would lead to a higher tax burden. For example, if some of your stock holdings pay dividends, you want those stocks inside your TFSA.

With that in mind, below are three dividend stocks worthy of a spot in your TFSA.

1. BCE

If you're looking for solid dividend stocks, Canada's big three telecommunications providers are a perfect place to start. Unlike many of the country's highest-yielding names, most of which come from the energy sector, these companies generate consistent, predictable earnings. This makes them ideal dividend champions.

And of the big three, **BCE Inc.** ([TSX: BCE](#))([NYSE: BCE](#)) has the highest dividend yield, currently standing at 4.9%. Granted, the company pays out the vast majority of its earnings to shareholders. So this dividend may not grow as quickly as others. But it's an ideal holding inside a tax-sheltered account like a TFSA.

2. Fortis

Continuing with the theme of rock-solid dividends, **Fortis Inc.** ([TSX: FTS](#)) certainly fits the bill. Fortis is Canada's largest investor-owned distribution utility, and one of the country's most reliable companies. In fact, Fortis has raised its dividend every year for over 40 years. How has it been able to pull this off?

First of all, the company has been very well-managed for a long time. But more importantly, Fortis makes money off of a product we all need (electricity). So even if the economy is struggling, the company's earnings are relatively protected. This is why its dividend has been so stable.

Better yet, Fortis's dividend yields a healthy 3.4%. That's not bad for a TFSA.

3. TD Bank

Usually, a conversation about safe dividend stocks does not mention banks. But in Canada, the big 5 banks have generally proven to be quite reliable and very profitable. There's no better example of this than **Toronto-Dominion Bank** ([TSX: TD](#))([NYSE: TD](#)).

There are two reasons why investors can feel secure with TD. First, the bank places special emphasis on retail banking, which comes with much less risk than something like Capital Markets. Second, TD has a fantastic track record of managing risk, which includes escaping from the financial crisis relatively unscathed.

That being said, there are other dividend stocks perfect for your TFSA. Three are featured in the free report below.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:BCE (BCE Inc.)
4. TSX:FTS (Fortis Inc.)
5. TSX:TD (The Toronto-Dominion Bank)

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Date

2025/07/23

Date Created

2014/11/05

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