Dividend Investors: 3 Stocks for Your TFSA

Description

If the Federal government doubles the annual contribution limit on tax-free saving accounts (TFSAs), the books on Canadian personal finance will have to be rewritten.

Finance Minister Joe Oliver has hinted that the federal budget coming April 21 will boost the deposit cap on TFSAs to $11,000 per year—up from $5,500 annually today.

"Canadians know that we stick to our commitments," Mr. Oliver said in a letter to Conservative MPs last week. "I will present a balanced budget that will make life more affordable for Canadians."

Let's assume Mr. Oliver does boost the contribution limit. That's big news for savers! The question now is how can you best take advantage of it?

You could do worse than double down on dividends. Even though fixed-income securities are taxed at a higher rate, low bond yields mean you're not hiding that much money from the CRA. Plus, combining the compounding wonder of dividend stocks and the tax-free advantage of TFSAs is a powerful wealth-building formula!

Here are three good dividend-payers to get you started:

1. Enbridge Inc.

Enbridge Inc. (TSX:ENB)(NYSE:ENB) is one of the most dependable dividend-payers around. The company owns a collection of pipelines, terminals, and storage facilities across the continent. In exchange for shipping commodities like oil and gas, Enbridge charges a fee.

This is a wonderful business. While commodity prices can fluctuate wildly from year to year, the total *volume* of crude actually being moved remains remarkably consistent. As a result, the company generates cash flows that are steadier than bond coupons.

Most of that income is passed right on to shareholders. Enbridge has paid a dividend every year since 1953—one of the longest streaks of consecutive distributions in the country. Today the stock pays a quarterly dividend of $0.47 per share, which comes out to an annualized yield of 3.0%.

2. Canadian Apartment Properties REIT

Canadian Apartment Properties REIT (TSX:CAR.UN) gives you all the perks of being a landlord, but without any of the hassle.

The business is easy to wrap your head around. CAP REIT buys properties, collects rent from tenants, and passes on the income to unitholders. Today, the trust pays a monthly distribution of 9.8 cents per unit, which comes out to an annual yield of 4.0%.

The downside with REITs is that your tax bill is a pain in the butt to calculate each year. REIT distributions are also generally taxed at a higher rate than ordinary dividends. However, if you stick these securities in your TFSA, you can skip this entire headache and claim the whole payout *tax free*!

3. Shaw Communications Inc.

If you want to own an exotic mining company to impress your friends at the next cocktail party, then **Shaw Communications Inc.** (TSX:SJR.B)(NYSE:SJR) isn't for you. But if you prefer good old fashioned dividends, then you'll like this stock just fine.

Shaw is a boring business. Every month, people pay their cable bill. Every year, Shaw raises the price.

Sure, some folks cut the cord and stream their content over the Internet. But guess what? Shaw owns that cable, too! So, unless you want to return to the 1970s, you have to pay this company. As a result, Shaw cranks out one of the safest dividends around.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:SJR (Shaw Communications Inc.)
3. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
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