3 Stocks With Rising Dividends for Your TFSA

Description

More than ever, the tax-free savings account (TFSA) has a big role to play in Canadians' retirement plans. From now on, the annual limit for contributions will be $10,000, up from $5,500 in the previous year. This raises an obvious question: What kind of stocks should be put into a TFSA?

In my opinion, you should mostly be looking for companies with rising dividends. Remember, dividend income is more heavily taxed than capital gains, which increases the value of a TFSA's tax shield. Furthermore, companies with rising dividends tend to make great investments when saving for retirement (or anything else, for that matter).

So, with that in mind, below are three such companies worth considering for your TFSA.

1. RBC

If you're looking for great dividend stocks, Canada's big five banks are a great place to start, and **Royal Bank of Canada** (TSX:RY)(NYSE:RY) is a perfect example. Let's start with the basics: RBC's dividend yields a solid 3.8%, and this payout has more than doubled over the past nine years.

These days a lot of investors are concerned about the banks, and for good reason. Low oil prices are hurting the Canadian economy. The real estate market is due for a correction. Interest rates remain at very low levels, hurting the banks' margins. Yet the banks have shown to be very resilient before; for example, none cut their dividend during the Great Recession.

Better yet, banks such as RBC pay out less than half of income to shareholders. So, even if net income decreases, the dividend is still very affordable (this is in sharp contrast to some energy companies). So, despite all the concerns, banks like RBC still deserve a spot in your TFSA.

2. Fortis

Fortis Inc. (TSX:FTS) is Canada's largest investor-owned distribution utility, and also one of the country's top dividend stocks. In fact, the company has raised its dividend every single year for over four decades! This is something that energy investors, many of whom have suffered from dividend cuts, can really appreciate.

At current prices, Fortis yields a respectable 3.4%. This isn't as high as RBC, or the other banks for that matter, but isn't bad for such a solid payout. After all, if you're saving for decades, then you want to invest in companies that will be around for that long.

3. Telus

Like Fortis, **Telus Corporation** (TSX:T)(NYSE:TU) doesn't have a particularly high yield: it's only 3.7%. Yet this is a dividend that has quadrupled over the past decade and is primed for more gains.

Telus is easily Canada's best-in-class telecommunications company. It is very well liked by its customers, allowing the company to steal market share and grow revenue. Telus is also benefiting from Canadians' increasing thirst for mobile data.

So, like Fortis, you can count on Telus not just for years, but for decades. I can't think of a better reason to put the company in your TFSA.

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1. Dividend Stocks
2. Investing

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1. Editor's Choice

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