Income Investors: These 2 Dividend Stocks Belong in Your TFSA

Description

Income investors have a broad selection of attractive picks right now, but caution is warranted when diving into the dividend bargain bin, especially in the real estate and commodities sectors.

At the moment, it is probably best to look for good yield from dividend stocks that offer a safe distribution plus an opportunity for some capital gains as opposed to swinging for the fence on a 10% payout. This strategy especially holds true for older investors who don't have the luxury of riding out an extended downturn.

Here are the reasons why I think **Sun Life Financial Inc.** (TSX:SLF)(NYSE:SLF) and **Shaw Communications Inc.** (TSX:SJR.B)(NYSE:SJR) are interesting picks right now.

Sun Life

Sun Life took a big hit during the financial crisis because it was overexposed to U.S. annuities. Management learned an important lesson and sold off that line of business in 2013. Now Sun Life is focused on driving growth through lower-risk segments. Recent acquisitions include investments in the asset-management space, which will provide a nice complement to the existing insurance and wealth management operations in the United States.

The company is also boosting its bet on Asian growth with a particular interest on expanding its Birla Sun Life operations in India. New rules allow foreign insurance companies to increase their equity in local partnerships from 26% to 49%. Sun Life is taking advantage of the changes, and that should bode well for investors as India's insurance industry is expected to expand significantly in the coming years.

Sun Life refused to cut its dividend during the financial crisis and started increasing the payout again last year. With the balance sheet now on solid footing and earnings coming in at a healthy clip, investors should see regular increases to the distribution moving forward.

The current quarterly dividend of $0.39 per share yields a safe 4.1%.

Sun Life is a good alternative to the banks for investors who are concerned about a housing meltdown, and the stock should do well in an environment of rising U.S. interest rates.

Shaw

Shaw's stock has been under pressure because investors are trying to figure out whether or not the recent transformational changes to the company are going to make it a stronger competitor in the rapidly changing media and telecom sectors.

Shaw is entering the mobile game and exiting the media space. That's a lot to handle at the same time, and 2016 is going to be a chaotic year, but the overall strategy looks like a good one.

By adding a mobile business, Shaw will be able to compete on even ground with **Telus** in the west and **BCE** and **Rogers** across the rest of Canada. The ability to provide mobile as part of a TV, Internet, and phone package should help the company slow down subscriber losses on the cable side.

Shaw is also selling Shaw Media to **Corus Entertainment**. The deal makes sense because it provides the capital needed to help pay for the Wind Mobile deal and gets Shaw out of the content game, where a lot of risk lies with the new pick-and-pay system that is coming into effect in March.

Shaw pays a monthly dividend that currently yields about 5%. The distribution should be safe, and I think the latest selloff is a good opportunity to pick up the stock.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:SJR (Shaw Communications Inc.)
2. TSX:SJR.B (Shaw Communications)
3. TSX:SLF (Sun Life Financial Inc.)

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