



3 Great Dividend-Growth Stocks for Your TFSA

Description

Tax-free savings accounts (TFSAs) offer Canadians the incredible opportunity to set money aside and earn investment income without having to worry about the taxman.

Let's take a look at three stocks with high dividend yields and active streaks of annual increases, so you can determine if you should add one or more of them to your TFSA.

1. Gluskin Sheff + Associates Inc.

Gluskin Sheff + Associates Inc. (TSX:GS) is one of Canada's largest independent wealth management firms with approximately \$8.2 billion in assets under management.

It pays a quarterly dividend of \$0.25 per share, or \$1.00 per share annually, which gives its stock a yield of about 6% at today's levels.

Investors must also make three important notes.

First, Gluskin has raised its regular annual dividend payment for nine consecutive years, and its 11.1% hike in November 2015 has it on pace for 2016 to mark the 10th consecutive year with an increase.

Second, the company has paid out 14 special dividends totaling \$8.12 per share since going public in May 2006, far surpassing the \$6.14 per share in regular quarterly dividend payments made in that same span, and this means it has paid out an incredible \$14.26 per share in dividends in the last 10 years.

Third, I think its ample amount of operating cash flow, including \$46.7 million in its nine-month period ended on March 31, 2016, and its modest payout ratio, including 56% of its operating cash flow in that same period, will allow its streak of annual dividend increases to continue going forward despite its decline in net earnings and assets under management.

2. Brookfield Infrastructure Partners L.P.

Brookfield Infrastructure Partners L.P. ([TSX:BIP.UN](#))([NYSE:BIP](#)) is one of the largest, globally diversified owners and operators of infrastructure assets in the world. Its assets include rail networks, ports, natural gas pipelines and storage terminals, communications towers, and electricity transmission lines, and they are spread across North America, South America, Europe, and Australia.

It pays a quarterly distribution of US\$0.57 per share, or US\$2.28 per share annually, which gives its stock a yield of about 5.3% at today's levels.

Investors must also make two important notes.

First, Brookfield has raised its annual distribution for six consecutive years, and its 7.5% hike in February has it on pace for 2016 to mark the seventh consecutive year with an increase.

Second, the company has a target payout of 60-70% of its funds from operations and an annual distribution growth target of 5-9%. I think its very strong growth of funds from operations, including its 14.6% year-over-year increase to \$1.02 per share in the first quarter of 2016, and its growing asset base will allow it to reach its distribution-growth target for decades.

3. Capital Power Corporation

Capital Power Corporation ([TSX:CPX](#)) is one of the largest independent power producers in North America with 18 natural gas-fired, wind, coal, solid fuels, and solar power-generation facilities across Canada and the United States.

It pays a quarterly dividend of \$0.365 per share, or \$1.46 per share annually, which gives its stock a yield of about 7.6% at today's levels.

Investors must also make two important notes.

First, Capital Power has raised its annual dividend payment for two consecutive years, and its 7.4% hike in July 2015 has it on pace for 2016 to mark the third consecutive year with an increase.

Second, the company has a dividend-per-common-share growth target of 7% annually through 2018, and I think its consistent growth of funds from operations, including its 10.5% year-over-year increase to \$400 million in fiscal 2015 and its 1% year-over-year increase to \$109 million in the first quarter of 2016, and its growing asset base will allow it to achieve this growth target and extend it beyond 2018.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
3. TSX:CPX (Capital Power Corporation)

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