TFSA Investors: 2 Dividend-Growth Stocks to Buy and Hold

Description

Tax-Free Savings Accounts (TFSAs) offer Canadians who are 18 and older the opportunity to set money aside and earn investment income without having to worry about the taxman, even when it's withdrawn.

If you don't already have a TFSA, you should strongly consider opening and contributing to one. If you do already have one, let's take a closer look at why **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) and **North West Company Inc.** (TSX:NWC) would be great additions to it today.

Toronto-Dominion Bank

Toronto-Dominion Bank, or TD for short, is the second-largest bank in Canada and the sixth-largest bank in North America with approximately $1.18 trillion in total assets as of July 31. It offers a full range of financial products and services to approximately 25 million customers worldwide.

TD currently pays a quarterly dividend of $0.55 per share, representing $2.20 per share on an annualized basis, and this gives its stock a yield of about 3.8% today.

Its earnings support its dividend. In the first nine months of fiscal 2016, its adjusted net earnings totaled $6.95 billion ($3.64 per share), and its dividend payments totaled just $2.98 billion ($1.61 per share), resulting in a 43% payout ratio, which is within its target range of 40-50%.

In addition to having a high and safe yield, TD is a great dividend-growth stock. It has raised its annual dividend payment for five consecutive years, and its 7.8% hike in February has it on pace for 2016 to mark the sixth consecutive year with an increase.

As mentioned before, TD has a target dividend-payout range of 40-50% of its adjusted net earnings, so I think its consistent growth, including its compound annual growth rate of 9.8% from 2011 to 2015, and its 5.6% year-over-year increase to $6.95 billion in the first nine months of fiscal 2016, will allow its streak of annual dividend increases to continue for many years into the future.

North West Company Inc.

North West Company Inc., or NWC for short, is one of the leading retailers to underserved rural communities and urban neighbourhood markets in northern Canada, western Canada, rural Alaska, the South Pacific Islands, and the Caribbean. Its stores offer a wide range of products and services with an emphasis on food. As of July 31, it operates 229 stores under the Northern, NorthMart, Giant Tiger, AC Value Center, and Cost-U-Less banners.

NWC currently pays a quarterly dividend of $0.31 per share, representing $1.24 per share on an annualized basis, giving its stock a yield of about 4.7% at today’s levels.

Its cash flows support its dividend. In the first half of 2016, its operating cash flow totaled $49.78 million, and its dividend payments totaled just $30.08 million, resulting in a sound 60.4% payout ratio.

Like TD, NWC has consistently grown its dividend to reward its shareholders. It has raised its annual dividend payment for four consecutive years, and its 6.9% hike in September 2015 has it on pace for 2016 to mark the fifth consecutive year with an increase.

I think NWC’s consistently strong growth of operating cash flow, including its 15.6% year-over-year increase to $132.99 million in fiscal 2015 and its 24.4% year-over-year increase to $49.78 million in the first half of 2016, and its growing store count, including its addition of two net new stores over the last year and its planned opening of another store in January 2017, will allow its streak of annual dividend increases to continue for many years to come.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:NWC (The North West Company Inc.)
3. TSX:TD (The Toronto-Dominion Bank)

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