



## 2 Excellent Dividend-Growth Stocks for Your TFSA

### 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the opportunity to set money aside and earn investment income without having to worry about the taxman, even when it's withdrawn.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, and if you do already have one, here are two high-quality dividend-growth stocks you could add to it today.

#### Bank of Nova Scotia

**Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) is the third-largest bank in Canada and one of the 25 largest banks in the world with approximately \$896.27 billion in assets as of October 31. It provides a wide range of financial products and services to individuals, small- and medium-sized businesses, corporations, and governments across Canada and around the world.

Bank of Nova Scotia currently pays a quarterly dividend of \$0.74 per share, representing \$2.96 per share on an annualized basis, and this gives its stock a lavish 3.9% yield today.

Even though it may seem like a tedious task, it's very important to always confirm the safety of a stock's dividend before making an investment, and you can do this with Bank of Nova Scotia by checking its dividend payments as a percentage of its net income. In its fiscal year ended on October 31, its adjusted net income attributable to common shareholders totaled \$7.27 billion (\$6 per share), and its dividend payments totaled just \$3.47 billion (\$2.88 per share), resulting in a sound 47.7% payout ratio, which is within its target range of 40-50%.

In addition to its high and safe yield, Bank of Nova Scotia offers dividend growth. Fiscal 2016 officially marked the sixth consecutive year in which it has raised its annual dividend payment, and its 2.8% hike in August has it positioned for fiscal 2017 to mark the seventh consecutive year with an increase.

As mentioned before, Bank of Nova Scotia has a target dividend-payout range of 40-50% of its net income attributable to common shareholders, so I think its consistently strong growth, including its 4.1% year-over-year increase to an adjusted \$6.9 billion in fiscal 2015 and its 5.3% year-over-year

increase to an adjusted \$7.27 billion in fiscal 2016, will allow its streak of annual dividend increases to continue through 2025 at the very least.

### **Cogeco Communications Inc.**

**Cogeco Communications Inc.** ([TSX:CCA](#)) is the parent company of Cogeco Connexion, Atlantic Broadband, and Cogeco Peer 1. Cogeco Connexion is the second-largest cable operator in Ontario and Quebec, Atlantic Broadband is the ninth-largest cable system operator in the United States, and Cogeco Peer 1 is a leading provider of information and communications technology services to businesses in Canada, the United States, and across Europe.

Cogeco Communications currently pays a quarterly dividend of \$0.43 per share, representing \$1.72 per share on an annualized basis, which gives its stock a solid 2.65% yield today.

It may not seem completely necessary to confirm the safety of a yield under 3%, but I think investors should do so anyway just to be absolutely sure, and you can do this with Cogeco Communications by checking its cash flow. In its fiscal year ended on August 31, its free cash flow totaled \$281 million, and its dividend payments totaled just \$76.5 million, resulting in a very conservative 27.2% payout ratio.

Like Bank of Nova Scotia, Cogeco Communications has a reputation for dividend growth, and its active streak is even more impressive. Fiscal 2016 officially marked the 12th consecutive year in which it has raised its annual dividend payment, and its 10.3% hike last month has it on pace for fiscal 2017 to mark the 13th consecutive year with an increase.

I think Cogeco Communications's dividend-growth potential is very promising going forward as well. I think its strong operational performance, including its projected 22.8-33.5% year-over-year increase in free cash flow to \$345-375 million in fiscal 2017, and its conservative payout ratio, including its aforementioned 27.2% payout ratio in fiscal 2016, could allow its streak of annual dividend increases to continue for the next five years at least.

### **Is one a better bet today?**

I think both Bank of Nova Scotia and Cogeco Communications represent attractive long-term investment opportunities for your TFSA, but if I had to choose just one to invest in today, I'd go with Bank of Nova Scotia because it has a much higher yield.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **POST TAG**

1. Editor's Choice

### **TICKERS GLOBAL**

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:CCA (COGECO CABLE INC)

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