TFSAs Are the Perfect Place for Dividends and Growth

Description

There are two ways for investors to get a return from their investments: dividends and price appreciation. Some investors focus on price appreciation because that's where most of the returns are from.

However, dividends should not be ignored, as they contribute to about a third of long-term returns! Besides, if you know where to look, dividends can be much more reliable than finicky stock prices.

By focusing on dividend stocks that increase their payouts year after year, investors can get both income and growth.

Investors should take advantage of Tax-Free Savings Accounts, or TFSAs; what's earned inside is absolutely tax free. With the start of 2017, investors once again have $5,500 of contribution room.

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Here are two quality dividend-growth ideas for your consideration.

Plaza Retail REIT (TSX:PLZ.UN) is a rarity among the real estate investment trust (REIT) world.

Not only does it have a long track record of hiking its distribution, but it also has higher growth potential.

Plaza Retail REIT has 297 retail properties, which total 7.6 million square feet across eight provinces with a focus in Atlantic Canada, Quebec, and Ontario. It has 25 projects under development or redevelopment that will add about 1.6 million net square feet to its portfolio.

The company's recent committed occupancy was nearly 96%. In addition, its funds-from-operations payout ratio is sustainable below 80%.

Plaza Retail REIT's strong execution has allowed the company to increase its distribution every year since 2003. Only one of two publicly traded Canadian REITs has achieved that.

Currently, the REIT yields 5.2%. According to its usual schedule, it should hike its distribution by the end of the month.

Algonquin Power & Utilities Corp. (TSX:AQN)(NYSE:AQN) is another steady dividend grower. Late last year, it was listed on the New York Stock Exchange, which is another channel for it to raise capital if needed.

Algonquin aims to be a top quartile North American utility, and the completion of the acquisition of Empire District Electric on January 1 was a huge milestone. After all, Empire makes up 35% of Algonquin's five-year growth plan.

With the addition of Empire, Algonquin's total assets hit the $10 billion mark. Empire increases Algonquin's distribution customers by about 38% and almost doubles its power-generation installed capacity.

Algonquin now serves 782,000 water, electricity, and natural gas customers in the U.S. and has an installed capacity of 2,500 MW powered by wind, solar, hydroelectric, and thermal energy. It also has some rate-regulated electric transmission and natural gas pipeline assets.

Algonquin has had six years of steady dividend growth, and management targets to grow its dividend by 10% per year.

Currently, Algonquin offers a stable 5% yield, which is subject to currency rate fluctuations because the utility pays a U.S. dollar–denominated dividend.

Conclusion

By buying stable, high-yield dividend-growth stocks such as Algonquin and Plaza Retail REIT in TFSAs, investors can become wealthy over time while earning a growing income that can be reinvested or used to pay the bills without the hindrance of taxes.

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1. Dividend Stocks
2. Investing

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kayng