



## TFSA Investors: 3 Income Stocks That Yield 5-7%

### Description

Income investors are always on the prowl for top dividend stocks to add to their TFSA portfolios.

Let's take a look at **Power Financial Corp.** (TSX:PWF), **Inter Pipeline Ltd.** (TSX:IPL), and **Altagas Ltd.** ([TSX:ALA](#)) to see why they might be attractive picks.

#### Power Financial

Power Financial is a holding company with interests in wealth management and insurance businesses in Canada. The firm also owns positions in some of Europe's top global corporations.

In the home country, the primary holdings include **Great-West Lifeco Inc.** and **IGM Financial Inc.** ([TSX:IGM](#)).

Power Financial's share price is down about 8% in the past three months as investors start to pare back their expectations for interest rate hikes.

Why is this important?

Rising interest rates tend to be positive for insurance companies because they can generate better returns on the money they must set aside for potential claims.

It's true the shift to higher rates might take longer than expected, but rates will go up at some point, and the insurance companies should benefit when that happens.

Power Financial's exposure to IGM also has some investors concerned, as FinTech upstarts and ETFs threaten the old mutual fund sector.

This is certainly worth watching, but IGM is doing quite well. The company delivered solid Q1 2017 numbers that came in ahead of the Q1 2016 results. Total assets under management increased 10%, and net earnings rose 6%.

Power Financial knows the industry is changing and has invested in a handful of FinTech startups,

including players in the robo-advisor segment.

Management raised the dividend earlier this year, so there can't be too much concern about the quality of the holdings.

The quarterly distribution yields 5%.

## **IPL**

IPL owns natural gas liquids (NGL) extraction assets, oil sands pipelines, and conventional oil pipelines, as well as a liquids storage business in Europe.

Management has used the downturn to add strategic assets at attractive prices, and the company has more than \$3 billion in development projects in the works that could be completed by the end of 2021.

Dividend growth should continue in the coming years as the new assets generate additional cash flow.

IPL pays a monthly dividend and provides a yield of 6.1%.

## **Altagas**

Altagas owns energy infrastructure assets in Canada and the United States and is growing through a mix of acquisitions and organic developments.

The company is in the process of buying Washington D.C.-based **WGL Holdings** for \$8.4 billion. The deal is expected to close next year and will provide a nice boost to cash flow.

Altagas also has a number of projects under way in Canada, including a propane export terminal in British Columbia.

Dividend growth is expected to be about 8% per year through 2021.

The current monthly distribution of \$0.175 per share provides a yield of 6.9%.

## **The bottom line**

All three stocks pay distributions that should continue to grow. An equal investment in each one inside a TFSA would provide a nice tax-free yield of about 6%.

That's not bad in the current environment.

## **CATEGORY**

1. Dividend Stocks
2. Investing

## **TICKERS GLOBAL**

1. TSX:ALA (AltaGas Ltd.)
2. TSX:IGM (IGM Financial Inc.)

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