TFSA Investors: Dine Out on These 3 Growing Dividend Stocks

Description

The big benefit of investing in a TFSA account is that any income earned within the account is tax-free. This means any dividends you earn are not subject to any tax, providing you a big advantage over collecting dividends in a regular investment account.

One thing you will want to keep in mind, though, is if you invest in U.S. stocks, you can expect to be charged a withholding tax that will be deducted from the dividends, and this is tax that you cannot get credited back. For that reason, I always invest in Canadian dividend stocks in my TFSA to ensure that the dividends I collect are not subject to any taxes whatsoever.

The three stocks here are all in the restaurant industry and provide growing dividends that you can use in your TFSA to build your monthly tax-free income.

Pizza Pizza Royalty Corp. (TSX:PZA) collects royalties from Pizza Pizza and Pizza 73 locations across the country. Currently, the stock pays a monthly dividend of $0.0713 a share for a total annual yield of over 5.2%. In four years, the dividend has grown from $0.065 in 2013, increasing a total of 9.7% over that time and averaging an annual increase of over 2%.

In addition, Pizza Pizza's stock has seen strong growth over the years with the share price increasing over 57% in the past five years. There is opportunity here to collect dividend as well as make money on the increase in stock price.

Boston Pizza Royalties Income Fund (TSX:BPF.UN) collects royalties from another well-known Canadian restaurant chain, Boston Pizza. Currently, the stock pays a dividend of over 6% annually that is paid out on a monthly basis. The monthly payment of $0.115 per share has increased from $0.102 a share back in 2013 for an increase of over 12% in the payout. The company has grown its dividend by an average of 3% per year.

The stock performance has been a fairly stable with returns in the past 12 months yielding 3.5%, while, year to date, the stock has had a modest decline of about 1.5%. Over the long term, the stock has seen much more appreciation in value with an overall increase of 23% in the past five years.

Keg Royalties Income Fund (TSX:KEG.UN) brings us to yet another popular Canadian restaurant, The Keg. This fund also pays a dividend of over 5% which is paid out on a monthly basis. However, the company has had the largest dividend growth among the three restaurants with dividends currently paying $0.0918 a month, up almost 15% from four years ago when the payout was just $0.08 per share.

The stock has seen tremendous five-year growth of over 51%, and although it has been flat year to date, it has gone up almost 10% in the past 12 months.

Bottom line

Any of the stocks here will allow you to collect a good, growing monthly dividend while investing in well-known and generally safe companies. As the economy grows and continues to do well, so will the restaurant industry and the companies here. Given the similarities between the companies, the stocks are likely to be interchangeable, and whether you believe one restaurant will do better than another will probably come down to your own personal experience.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BPF.UN (Boston Pizza Royalties Income Fund)
2. TSX:KEG.UN (Keg Royalties Income Fund)
3. TSX:PZA (Pizza Pizza Royalty Corp.)

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Date
2025/08/19
Date Created
2017/08/09
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