TFSA Investors: 2 High-Yield Dividend Stocks to Own Forever

Description

For Canadian investors, the Tax-Free Savings Account (TFSA) is a great way to build your retirement portfolio.

As the name shows, these accounts are tax free. Another big advantage is that you can withdraw money from a TFSA without any tax implications, unlike the RRSP account. Also, you're also allowed to carry forward your unused contribution room.

There's one very big difference between TFSAs and RRSPs you may not know. While both allow investments to compound tax free, RRSPs come with a tax liability when you're ready to withdraw funds from them. Any withdrawals are taxed as your ordinary income. TFSAs, however, can be cashed out without incurring a tax liability.

Because of these advantages, I always recommend TFSA to young investors who're just starting their careers and are able to spare some money for their future needs. If you're willing to re-invest your dividends back into this account, you'll see how quickly your investment multiplies due to the power of compounding.

Once you have decided to make use of this very lucrative investment vehicle as part of your saving strategy, the next step is finding companies that fit nicely in your dividend-paying portfolio. I always recommend picking those companies which are stable and offer attractive dividend yields.

Let's discuss why **Brookfield Infrastructure Partners L.P.** (TSX:BIP.UN)(NYSE:BIP) and **Shaw Communications Inc.** (TSX:SJR.B)(NYSE:SJR) are two top dividend stocks for your TFSA portfolio.

Brookfield Infrastructure

This partnership has many unique things that you need for your dividend-producing TFSA portfolio. First, Brookfield owns a strong and diversified portfolio of assets.

The company owns and operates high-quality, long-life assets in the utilities, transport, energy, and communications infrastructure sectors across North and South America, Asia Pacific, and Europe.

It operates critical infrastructure assets globally, providing nice diversification to dividend investors in North America, generating stable cash flows with minimal maintenance capital expenditures. Its assets range from electricity and gas distribution business in Australia and the U.S., railroads in South America, and a portfolio of 36 ports in North America, Asia Pacific, the U.K., and across Europe.

For income investors, this asset mix provides sustainable and growing dividends over the long term. With a current dividend yield of 3.42% and a distribution-growth target of 5-9% annually, Brookfield Infrastructure offers an attractive opportunity for investors who are just beginning to build their nest eggs.

Shaw Communications

Just like Canadian banks, Canadian telecom companies provide another window for dividend investors to receive long-term and sustainable income. The reason I like Canadian telecom stocks is that they're not marred by the cut-throat competition you see south of the border.

Among the big telecom players, I particularly like Shaw Communications, which pays a sizable monthly dividend and has a much higher upside potential due to its massive growth plans.

Over the past 12 years, Shaw has been one of the best dividend growers on the TSX. In 2005, the company paid just $0.0116 monthly per share. Shaw now pays eight times more; it pays $0.09875 per share on a monthly basis with a dividend yield of 4.3%.

The bottom line

Both Brookfield and Shaw aren't the highest dividend payers, but they operate businesses that crank out the cash day in, day out. If you put together a portfolio with these kinds of companies and use the tax-free compounding power of a TFSA, there's no doubt that you'll be able to live a comfortable life during your golden years.

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1. Editor's Choice

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2. NYSE:SJR (Shaw Communications Inc.)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
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