TFSA Investors: Load Up on These High-Growth Dividends to Offset Interest Rate Hikes

Description

As interest rates rise in Canada, the effects are felt in multiple industries as business face higher borrowing costs and see overall expenses rise. In turn, rising expenses lead to lower bottom lines, which result in poorly performing stocks and potentially lower dividends.

However, one way you can combat these effects is to invest in high-growth dividends that, inside a TFSA, can generate tax-free income for your portfolio. The list below provides you with five growing dividend stocks that have increased payouts in recent years and are capable of continuing that trend. The companies are also in a variety of industries and can help you diversify your portfolio while you collect the dividends.

Enbridge Inc. (TSX:ENB)(NYSE:ENB) is at the top of this list as the dividend has almost doubled in as little as four years and currently yields a return of just under 5%. The current dividend of $0.61, which is paid quarterly, is up over 15% from a year ago when the payout was $0.53 per share.

Enbridge has an impressive history of paying dividends. The company even increased its dividend during the downturn in oil prices. There is no cause for concern going forward, as the company posted over $2 billion in profit in its latest fiscal year — more than it did for the prior two years combined.

Algonquin Power & Utilities Corp. (TSX:AQN)(NYSE:AQN) currently yields a dividend of over 4.4% which is paid out quarterly. The dividend has grown from just $0.085 a share in 2013 to currently $0.1593 for an increase of over 87%. The stock is great for dividends, but it offers growth as well with revenues increasing by almost 60% in the past three years while operating income has more than doubled during that time.

Domtar Corp. (TSX:UFS)(NYSE:UFS) is another dividend stock yielding over 4% annually and which has grown its payout over the years. The company has increased its dividends by over 50% in the past four years, and its last hike was just under 4% last year. Domtar does not have a long history of paying dividends, but that doesn’t put it at risk either, as the company has been fairly consistent with revenues of over $5 billion in each of the past four years while also posting profits.

Granite Real Estate Investment Trust (TSX:GRT.UN)(NYSE:GRP.UN) is paying shareholders around 5% per year in monthly distributions. The company has grown its dividend by 24% in the past four years, and its most recent hike saw an increase of 6.9%. Granite posted two dividend hikes last year as the company remains committed to growing its distributions for its shareholders.

Supremex Inc. (TSX:SXP) is a micro-cap stock that is in the envelope and packaging business. Currently, the company pays an attractive dividend of almost 6% per year. Despite the high yield, the company has been able to maintain a very manageable payout ratio of well under 40% of its free cash flows for the past two years. Supremex’s dividend of $0.06 per share has doubled from $0.03 a share just four years ago. The company’s sales have also grown by 24% in the past four years, while profits have increased by over 26% during that time.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:ENB (Enbridge Inc.)
5. TSX:GRT.UN (Granite Real Estate Investment Trust)
6. TSX:SXP (Supremex)
7. TSX:UFS (Domtar Corporation)

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