

## TFSA Investors: 2 Unloved Dividend-Growth Stocks Yielding 7% Today

### Description

Canadian dividend investors are searching for income stocks with growing payouts to add to their TFSA portfolios.

The strategy is a wise one, as the full value of the distributions paid inside the TFSA are yours to keep or invest in new shares. That's right, the taxman doesn't get any of the dividend payments.

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

### Altagas

Altagas owns gas, power, and utility businesses in Canada and the United States. The company has grown over the years through strategic acquisitions as well as organic developments, and that trend continues.

Altagas 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 should be immediately accretive.

The company is also expanding its Townsend gas facility and constructing a propane-export terminal in British Columbia.

In addition, Altagas completed its battery storage facility in California late last year.

The stock is down 18% in 2017 amid concerns that Altagas might not be able to raise enough funds from non-core asset sales, as it lines up the cash needed to cover the costs of the WGL acquisition.

Management expects the WGL deal to support annual dividend growth of at least 8% through 2021, while maintaining a payout ratio of 50-60% of normalized funds from operations.

At the time of writing, the dividend provides a yield of 7.6%.

### IPL

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

The company has weathered the downturn in good shape and continues to raise the dividend as new assets contribute to the revenue stream.

Management has taken advantage of the tough times to make strategic acquisitions, and investors should see strong returns from the investments as market prices recover.

IPL has about \$3 billion in development projects under consideration. Assuming they get the final green light, the company expects completion of the projects in 2021.

The Q2 2017 payout ratio was 72.9%, so IPL has ample room to maintain the distribution.

IPL's stock is down nearly 25% in 2017 on weakness in the broader energy sector. At the time of writing, the dividend provides a yield of 7.2%.

### **Is one a better bet?**

Both stocks are starting to look oversold, and the distributions should be safe. At this point, I would probably split a new investment between the two names to get exposure to Canada, the U.S., and Europe.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

1. TSX:ALA (AltaGas Ltd.)

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### **Date**

2025/08/23

### **Date Created**

2017/08/24

### **Author**

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