

TFSA Investors: These Stocks Are Poised to Hike Dividends in 2018

Description

The best stocks to invest in through your Tax-Free Savings Account (TFSA) are those that pay dividends and hike them regularly.

To find such companies, you have to consider businesses that are boring and do not make headlines. I am talking about mature industries, such as utilities, banks, and telecom operators.

These companies produce [above-average cash](#) to distribute among shareholders, and they do it at a much lower cost than their competition. Warren Buffett, the world's most successful income investor, looks for similar strengths while picking his investments.

He coined a term "economic moat" to describe the competitive power of such businesses. It is tough for new entrants to challenge the dominance of these companies and match the level of investments they have already made to gain the market share.

Keeping this theme in mind, I have picked a few Canadian companies that are poised to hike their dividend payouts in 2018 because of their stable revenue, superior rate of return, manageable payout ratios, and their ability to ward off competition.

Banks

Canadian banks are in a unique position to regularly reward their investors with dividend increases. Their strength comes from an oligopoly they enjoy in Canada, where the "Big Five" lenders control the most of financial services industry.

In this area, I particularly like **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) and **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) for your TFSA dollars.

Both lenders have a very strong local and international presence and a solid track record of growing their payouts.

Bank of Nova Scotia is one of the most internationally diverse banks in the market with very robust operations in Central and South America.

TD Bank has the largest exposure among the major Canadian banks to the U.S. It has more branches in the U.S. than Canada and stands to benefit greatly from the world's most powerful economy.

When it comes to dividends, both Bank of Nova Scotia and [TD Bank](#) distribute between 40% and 50% of their income in dividends each year. And these payouts grow each year. Bank of Nova Scotia, for example, has increased its payouts in 43 of the last 45 years

Utilities

Power and gas utilities are the next strong dividend payers in the Canadian market.

Through their heavy investments and expansions abroad, Canadian energy utilities are very consistent in growing their dividends. Many top utilities in Canada have already made public the size of dividend hikes they plan to announce in the next five to 10 years.

Fortis Inc. ([TSX:FTS](#))([NYSE:FTS](#)) and **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) are some of the best dividend-growth stocks available in our market.

Fortis is targeting about 6% growth in its annual dividend payouts through 2021. Serving 3.2 million customers in Canada and abroad, Fortis generates strong cash flows, while its payout ratio remains manageable at 66%.

Enbridge, however, has over 20 years of history of increasing dividends. The company plans to continue with this practice, targeting 10-12% annualized growth in dividends through 2024.

The bottom line

Stocks with high probabilities of divided growth provide stability and growth to your TFSA portfolio. And if you re-invest those dividends to buy more shares, your portfolio will multiply at a much faster pace by the power of compounding.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:ENB (Enbridge Inc.)
3. NYSE:FTS (Fortis Inc.)
4. NYSE:TD (The Toronto-Dominion Bank)
5. TSX:BNS (Bank Of Nova Scotia)
6. TSX:ENB (Enbridge Inc.)
7. TSX:FTS (Fortis Inc.)
8. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

Date

2025/07/05

Date Created

2017/11/14

Author

hanwar

default watermark

default watermark