TFSA Investors: 4 Dividend Stocks That Have Outperformed the TSX

Description

Dividend stocks are plentiful and can be very valuable inside a TFSA, where eligible dividends can produce tax-free income for investors. However, with many different dividend stocks to choose from, it can be difficult to decide which one would be the best fit for your portfolio.

If you simply select a stock that has the highest yield, the payout may not be sustainable. Other dividend stocks might provide stable yields, but without good returns you could end up applying your dividend income against losses that the stocks incur. It's for this reason that I've listed four stocks below, all in different industries, that pay dividends and have outperformed the TSX year to date.

Royal Bank of Canada (TSX:RY)(NYSE:RY), one of Canada's top banks, pays investors a yield of 3.6%. Not only is that a decent and stable payout, but the bank has a solid reputation of increasing its dividend with regularity, making it an excellent long-term buy for dividends alone.

However, that's only one reason to buy the stock; the other is for its strong growth. As the population grows and bank fees rise, Royal Bank's top and bottom lines will only continue to increase. Rising interest rates will also help the bank take advantage of higher spreads.

Year to date, Royal Bank's stock has risen 10% and is well above the returns the TSX has provided. If we look at the past five years, the bank's returns reach north of 80%. Boring as it might be, Royal Bank is a very stable and a safe long-term investment that you can rely on for dividend income and capital appreciation.

Canadian National Railway Company (TSX:CNR)(NYSE:CNI) transports a lot of goods on its trains, and when the economy is doing well, that's good for business, and we saw evidence of that in Q3. The stock offers a milder dividend than Royal Bank of just 1.6%, and it too has increased over the years.

The problem, if you can call it that, is that CN Rail's stock has exploded in the past five years, rising 380% over the course of that time. If not for the significant increase in the share price, then the dividend yield would be much higher. Year to date, the stock has also performed well with returns of 13%.

Manulife Financial Corp. (TSX:MFC)(NYSE:MFC) is another stock that will benefit from growing populations and rising fees. Much like bank stocks, Manulife has a lot of stability in its business model and it too has raised its dividend multiple times over the past few years, and it currently pays investors 3% a year.

Year-to-date returns for the insurance stock have been more than 12%, and if you'd held the stock for the past five years, you would have seen your investment more than double.

Restaurant Brands International Inc. (TSX:QSR)(NYSE:QSR) is a top stock when it comes to restaurants, and Canadian investors might have a sense of pride from owning the company that owns the legendary Tim Hortons brand. With expansion planned outside North America, Tim Hortons could help propel Restaurant Brands to even further growth.

At just 1.2%, the dividend may be the smallest on this list, but the stock offers lots of potential for capital appreciation. Year to date, the stock has been the top performer on this list with returns of 30%, and over the past five years, the share price has doubled.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:MFC (Manulife Financial Corporation)
3. NYSE:QSR (Restaurant Brands International Inc.)
4. NYSE:RY (Royal Bank of Canada)
5. TSX:CNR (Canadian National Railway Company)
6. TSX:MFC (Manulife Financial Corporation)
7. TSX:QSR (Restaurant Brands International Inc.)
8. TSX:RY (Royal Bank of Canada)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/07/23
Date Created
2017/11/22
Author
djagielski