2 Best Dividend-Growth Stocks That Belong in Your TFSA

Description

To grow your investments in your Tax-Free Saving Account (TFSA), you need to pick companies that regularly hike their dividends.

This approach is very simple and doesn't require you to be a market genius or an expert in interpreting complex trading strategies. All you need to do is to pick some high-quality dividend stocks that have reliable histories of rewarding their investors.

With this theme in mind, I have picked two best dividend-growth stocks you can consider adding in your TFSA portfolio.

Bank of Nova Scotia

Canadian banks are the best dividend-growth stocks in Canada. On average, they distribute 40-50% of their income in dividends each year.

Among the top Canadian lenders, **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) is my favourite dividend-growth stock. In the past four years, the bank's quarterly dividend has grown to $0.79 from $0.66 a share, representing 5% growth each year.

The lender has paid dividends every year since 1832, while it has hiked its payouts in 43 of the last 45 years. The history tells us that you can count on Bank of Nova Scotia for a regular income stream.

I do not see this generous dividend policy changing anytime soon, given the bank's robust international growth and solid position at home. Canadian banks have been benefiting from rising interest rates, improving credit quality, and the strengthening of the Canadian economy.

This favourable outlook makes Bank of Nova Scotia a great buy-and-hold stock in your TFSA portfolio for a long time.

BCE Inc.

BCE Inc. (TSX:BCE)(NYSE:BCE), which operates Canada's largest telecom network, is another top dividend-growth stock. The company owns a strong portfolio of companies, offering wireless, broadband communications, and content services.

Its 4.63% dividend yield is the highest among the three big telecom operators, providing a great entry point to long-term investors. And when it comes to stability and growth of your investment, BCE is not far behind Bank of Nova Scotia. BCE has been sending dividend cheques to its investors for the past 134 years without a break.

BCE stock was under pressure until mid-September this year, as it faced growing competition from smaller players. But its third-quarter earnings show that the company is doing just fine.

In the third quarter, BCE added net 117,182 postpaid wireless subscribers, beating analyst estimates of 112,000. Its wire-line division also showed growth, adding net 44,424 internet customers and 1,738 TV subscribers.

The company pays a $0.72-a-share quarterly dividend, which has grown at a compound annual rate of ~5% over the past five years.

The bottom line

Growing your TFSA portfolio is easy if you are willing to buy and hold top-quality dividend-growth stocks. This strategy requires patience and a long-term approach. Over the long run, companies such as BCE pay a better return when compared to the benchmark indexes.

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