TFSA Investors: 2 Dividend Stocks With Upside Potential in 2018

Description

Canadians are searching for attractive stocks to add to their Tax-Free Savings Account (TFSA) portfolios.

The strategy makes sense, especially when the distributions are used to purchase new shares. This sets off a powerful compounding process that can turn a modest initial investment into a nice nest egg over time.

Let's take a look at **TransCanada Corporation** (TSX:TRP)(NYSE:TRP) and **Inter Pipeline Ltd.** (TSX:IPL) to see why they might be interesting picks today.

TransCanada

TransCanada spent US$13 billion last year to buy Columbia Pipeline Group in a deal that added strategic assets in the Marcellus and Utica shale plays as well as important pipeline infrastructure running to the Gulf Coast.

The deal also provided a nice boost to the capital program.

TransCanada currently has $24 billion in commercially secured near-term projects under development. As the assets are completed and go into service, TransCanada expects cash flow to increase enough to support annual dividend growth of at least 8% through 2021.

The company has a strong track record of raising the distribution, and management expects 95% of EBITDA to come from regulated businesses or long-term contracts going forward, so investors should feel confident with the dividend-growth guidance.

Longer term, TransCanada has an additional $20 billion in projects on the drawing board, including Keystone XL and the Bruce Power Life extension program.

Keystone is back in play under the Trump administration. If TransCanada proceeds with the project, investors could see an upward revision to the dividend-growth guidance.

At the time of writing, the quarterly distribution of $0.625 per share provides an annualized yield of 4%.

Inter Pipeline

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

The company has taken advantage of the downturn to add strategic assets, including the 2016 purchase of two NGL facilities and related infrastructure for $1.3 billion.

IPL also just announced plans to go ahead with a $3.5 billion propane dehydrogenation and polypropylene facilities project, which should be completed by the end of 2021. The site is expected to generate at least $450 million in long-term annual EBITA and be accretive to future funds from operations per share.

As a result, investors should see continued dividend growth.

IPL recently bumped up the monthly payout to $0.14 per share. That's good for an annualized yield of 6%.

Is one more attractive?

Both stocks should be solid dividend-growth picks for a TFSA portfolio. At this point, I would probably split a new investment between the two names to get strong exposure to Canada and the U.S., while collecting an average yield of about 5%.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:TRP (Tc Energy)
2. TSX:TRP (TC Energy Corporation)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/08/22
Date Created
2017/12/18
Author
aswalker