2 High-yield Dividend Stocks That Look Safe for TFSA Investors

Description

If you're planning to start saving for your retirement through the Tax-Free Savings Account (TFSA), then buying some high-yield dividend stocks isn't a bad idea.

The biggest advantage of this strategy is that your investments inside TFSA are not taxed, meaning that you can earn dividends and capital gains tax- free. Unlike RRSPs, any withdrawals are also tax exempt, and they don't reduce your contribution limit.

This savings tool works nicely for young savers who are just starting their careers and have money to spare to invest in stocks. These young savers have time on their side and can take more risks.

Investing in high-yielding stocks and then re-investing the dividend to buy more shares is a great long-term strategy to multiply your savings. With this theme in mind, I've picked two dividend stocks that to consider for your TFSA portfolio.

Enbridge

The world's largest pipeline operator, **Enbridge Inc.** (TSX:ENB)(NYSE:ENB), offers a good start to TFSA investors. The company is known for its healthy dividend payouts and future growth potential.

Enbridge is a leader in the gathering, transportation, processing, and storage of natural gas in North America, serving about 3.5 million retail customers in Ontario, Quebec, New Brunswick, and New York State.

Energy infrastructure companies and utilities generally operate under the fee-based cash flow models, which protect their revenues in any downturn cycle in the commodity markets. Enbridge has thus been able to provide double-digit growth in its quarterly dividends in the past. The company plans to hike its payouts by 10% each year until 2020.

After the 13% slide in its share price during 2017, Enbridge stock offers good value for the buy-and-hold investors, especially with a juicy ~5% dividend yield.

BCE Inc.

One proven strategy in finding good dividend stocks is to look for companies that are mature and operate in a slow-growth environment.

Businesses that command dominant positions in their markets whose customers have no choice but to buy their products fall into this category. Banks, power and gas utilities and telecom operators are some of the top examples.

Canada's largest telecom operator, **BCE Inc.** (TSX:BCE)(NYSE:BCE), certainly meets this criteria. Yielding nearly 5%, BCE generates hefty margins due to its dominant position in the Canadian telecom market.

Last year, BCE disturbed 84% of its free cash flows to investors in the form of dividends. For TFSA investors, BCE is a great high-yield dividend stock to hold for a long time.

The bottom line

Adding safe and high-yielding dividend stocks is a great way to start building your TFSA portfolio in 2018. Luckily, we still have some pockets of the market where you can find both value and growth.

Enbridge and BCE are considered reliable companies that have rarely disappointed their investors when it comes to dividend payments. For these reasons, both stocks should be on your 2018 shopping list.

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