3 Cheap Big-Dividend Stocks for Your TFSA

Description

With the start of a new year, you get additional contribution room of $5,500 for your Tax-Free Savings Account (TFSA). If you're not transferring in kind, you're looking to invest some new money.

Although the market is trading near its all-time high, there are selective stocks that are cheap. The three undervalued ideas below offer above-average dividend yields. What's more to like is that they also have a track record of increasing their payouts — a pattern that's set to continue.

Enbridge Inc. (TSX:ENB)(NYSE:ENB) has increased its dividend for 22 consecutive years. Its 10-year dividend-growth rate is 14.6%. It currently offers a juicy yield of 5.3%, which is covered by its cash flow generation with a conservative payout ratio of less than 65%.

Enbridge generates ~96% of cash flow, which is underpinned by long-term contracts. Moreover, it generates ~93% of its revenue from investment grade or equivalent customers.

Management's latest guidance indicate more dividend growth is coming. Specifically, it expects to grow the dividend by 10% per year through 2020.

Last year, Enbridge acquired Spectra Energy Corp., which diversified its portfolio and brought additional investment opportunities.

The combined entity is the largest energy infrastructure company in North America with a wide network of crude oil, liquids, and natural gas pipelines, stable regulated gas distribution utilities, and a growing renewable power-generation platform.

Altagas Ltd.'s (TSX:ALA) juicy yield of ~7.5% is no joke. The company just had a dividend hike of +4% in November. Altagas has increased its dividend for six consecutive years. Its three-year dividend-growth rate is 7.8%.

The company is in the midst of making a transformative acquisition, which will boost its regulated gas utility assets. The increased near-term uncertainty has added pressure on the stock. However, management believes the transaction will be accretive and allow the company to deliver dividend growth of 8-10% per year from 2019 to 2021.

Plaza Retail REIT (TSX:PLZ.UN) is a little retail real estate investment trust (REIT), which has increased its distribution for 15 consecutive years. Its three-year dividend-growth rate is 4%.

The stock has declined 15% in the last 12 months, but its fundamentals remain strong, including having a high committed occupancy of +95%. With a payout ratio of under 80%, the REIT's distribution is safe. The stock offers a big yield of ~6.3%.

Investor takeaway

If things go well for these three companies, investors could get at least a 15% return from these stocks in the next 12 months. If things don't go as well, you're looking at getting some juicy passive income. If you invest $5,500 spread equally across these stocks in your TFSA, you'll get an average yield of 6.4%, which is not bad at all.

CATEGORY

1. Dividend Stocks
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2. TSX:ALA (AltaGas Ltd.)
3. TSX:ENB (Enbridge Inc.)
4. TSX:PLZ.UN (Plaza Retail REIT)

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