



3 Cheap Dividend Stocks to Buy for Your TFSA

Description

If you haven't made a \$5,500 contribution to your TFSA yet, I'd strongly urge you to consider doing so as soon as you possibly can to get the most out of tax-free compounding. Sure, there's no deadline to make your TFSA contributions as there is with an RRSP, but you should pretend like there is. Believe it or not, making a full contribution to your TFSA now versus making one at the end of the year will make a profound difference in the grander scheme of things.

If you don't have \$5,500 in cash to contribute right now, you can make an "in-kind" transfer, as fellow Fool contributor Jonathan Chevreau [highlighted in this piece](#).

If you do have extra cash, and you're clueless as to which stocks you should be buying, here are three of my best dividend ideas at this point in time:

Algonquin Power & Utilities Corp. ([TSX:AQN](#))([NYSE:AQN](#))

Algonquin is a great way for investors to obtain capital gains in addition to a large and growing dividend. The company owns many renewables assets all throughout North America, which provides a very stable and predictable cash flow stream.

In addition to the promising portfolio of hydroelectric, wind, and solar assets, Algonquin also has a water utility business, which serves as a rock-solid foundation and will hold its ground, even if a depression were to show its ugly head.

The stock currently trades at a 28.2 trailing price-to-earnings multiple with a 4.26% dividend yield. Given the premium assets, and the company's history of generous +10% annual dividend hikes, I do not believe shares will remain depressed for very long.

Northland Power Inc. ([TSX:NPI](#))

Northland Power is another renewable energy play that I believe is trading at a huge discount to its intrinsic value. The renewable power producer has a strong contracted pipeline and promising offshore wind projects, which will gradually lower the company's payout ratio and make way for generous

dividend hikes for years to come.

As one of the most unappreciated renewable stocks on the TSX today, I think deep-value income investors should think about backing up the truck on Northland Power today before the valuation gap closes.

The stock currently trades at a 15.44 trailing price-to-earnings multiple with a 5.12% dividend yield.

Shaw Communications Inc. ([TSX:SJR.B](#))([NYSE:SJR](#))

I'm a huge bull on Shaw's wireless business Freedom Mobile, which I believe will [shake up the entire Canadian telecom scene](#) over the next few years. We've already seen the Big Three incumbents respond to the rise in competition sparked by Freedom through its limited-time 10 GB promotions. Over time, I suspect we'll witness more desperate moves from the Big Three as they try to retain their wireless subscribers through various promotions.

While Shaw's latest quarter was underwhelming to the general public, I believe the dip is nothing more than a buying opportunity for investors looking for defensive growth to go with a high dividend yield. I believe many analysts have downplayed Shaw's wireless business, and over the next year, I suspect wireless growth will really take off, and Shaw's stock will rebound sharply, as wireless subscribers flock to Freedom Mobile from the Big Three incumbents as Canadians gravitate towards the best value option.

The stock currently trades at a 23 trailing price-to-earnings multiple with a 4.4% dividend yield.

Stay hungry. Stay Foolish.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:SJR (Shaw Communications Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:NPI (Northland Power Inc.)
5. TSX:SJR.B (Shaw Communications)

PARTNER-FEEDS

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

Category

1. Dividend Stocks

2. Investing

Date

2025/09/06

Date Created

2018/01/22

Author

joefrenette

default watermark

default watermark