TFSA Investors: 3 Dividend Stocks on Sale That Can Power Up Your Portfolio

Description

TFSA accounts offer investors a great way to accumulate tax-free income on eligible investments, and so when dividend stocks go on sale, it could be a great time to lock in a high yield. Inside a TFSA, not only will your dividends be tax-free, but so too will any capital appreciation. Buying at a low gives you the best of both worlds: a higher yield as well as a depressed share price that could have significant upside.

Below are three energy stocks that have recently dropped in price that pay dividends and have great prospects for long-term growth.

TransAlta Corporation (TSX:TA)(NYSE:TAC) has seen its share price drop 10% in the last three months and over 13% in the past six. The decline in price has pushed its dividend yield up to 2.3%. By no means is this a high yield, and investors can likely find better dividend stocks in the short term. However, over the long term, TransAlta can offer investors some significant growth opportunities, as its focuses on clean power and renewable energy. The company is well diversified, as it has operations in North America and Australia.

Although sales have not yet taken off, the potential is certainly there, as consumers demand more sustainable sources of energy. At its current discount, the share price has a lot of upside; it hovers just above its 52-week low.

Emera Inc. (TSX:EMA) is another stock that has been on a decline lately. In the past three months, the stock price has dropped 5%, and that has sent its dividend yield to nearly 5%. Emera raised its dividend back in October, and I suggested that it might be an even better buy than **Fortis Inc.** (TSX:FTS)(NYSE:FTS), which, to many, is a solid, blue-chip dividend stock.

In five years, the company has increased its payouts by more than 60% for a compounded annual growth rate of 10%. Emera still has lots of room to grow, and a big acquisition helped the company's top line rise more than 50% last year.

Pattern Energy Group Inc. (TSX:PEGI)(NASDAQ:PEGI) is another company in the renewable energy market, and it focuses on wind power, with 20 facilities in Canada, the U.S., and Chile. In 2016, sales of $354 million were up more than 7% from the prior year and have grown more than 75% since 2013. Unfortunately, profits have not been as strong with the company finishing in the red in each of the past three years. However, Pattern Energy has been able to turn a profit in three of the past four quarters, so the trend may be turning.

In the past three months, the share price has fallen 11%, and its yield is at a very high 6.3%, but with payouts in U.S. dollars, there will be some variability due to currency fluctuations. Investors might be a little concerned at the high payouts, but the company has produced strong free cash flow in the past 12 months, despite not turning a profit. There is certainly some risk with Pattern's payout, but presently the stock still looks to be a good buy and possesses a lot of upside for the future.

CATEGORY

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2. NYSE:TAC (TransAlta Corporation)
3. TSX:EMA (Emera Incorporated)
4. TSX:FTS (Fortis Inc.)
5. TSX:TA (TransAlta Corporation)

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Author
djagielski