These 4 Undervalued Dividend-Growth Stocks Are the Perfect Fit for Your TFSA Freedom Fund

Description

The TFSA is an invaluable tool for investors who are more than a decade away from their expected retirements. The younger generations, millennials in particular, were dealt a tougher hand than previous generations, and although retirement outlooks may appear bleak, it's still possible to retire early for those who are able to get the most out of their TFSAs. You can get very rich over the long haul, as tax-free compounding is a powerful force.

While everybody has their own unique appetite for risk, I believe smart investors should save the speculative plays for their non-registered accounts. Instead, high-quality dividend-growth names should be purchased and their dividends reinvested.

Here are four great dividend-growth stocks that are a perfect fit for any TFSA portfolio:

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

Algonquin provides investors with exposure to unique North American renewable energy and water assets, while providing an above-average growth profile, dividend yield (currently at ~4.53%), and dividend-growth rate. The stock currently trades at a mere 17.5 forward price-to-earnings (P/E) multiple, which is substantially lower than the company's five-year historical average P/E of 32.8.

Given the quality of the assets and their defensive nature, I think the stock is an absolute bargain after falling ~10% from its all-time high.

Canadian Natural Resources Ltd. (TSX:CNQ)(NYSE:CNQ)

Canadian Natural shares rung in 2018 with a nasty ~20% peak-to-trough plunge, offering bargain hunters a great entry point to go with a fast-growing dividend, which currently yields 2.8%.

The company is one of the highest-quality firms operating in the Albertan oil patch, and those who are bullish on oil can expect the company to continue its impressive dividend-growth streak. Over the last decade, the company has an annual dividend-growth rate of ~16.5%.

Enbridge Inc. (TSX:ENB)(NYSE:ENB)

Enbridge has become too cheap to ignore with its astounding dividend, which currently yields ~6.3%, and management's commitment to continue with its dividend-growth plan, implying a 10-12% hike per year.

The stock is now down ~35% from its all-time high and is undervalued based on most traditional metrics. Shares currently trade at a 18.5 forward P/E, a 1.4 P/B, and a 9.2 price-to-cash flow multiple, all of which are lower than the company's five-year historical average multiples of 64.7, 4.2, and 11.3, respectively. The dividend yield is nearly 3% higher than historical norms, and given long-term catalysts, I think investors who can ride out the short-term pain will stand to enjoy huge long-term gains.

Shaw Communications Inc. (TSX:SJR.B)(NYSE:SJR)

Shaw is my favourite Canadian telecom, since it's poised to disrupt the Canadian wireless industry, which has enjoyed cartel-like prices for many years. The stock also has a massive dividend that's likely to grow at an above-average rate over the next 10 years, as the company poaches subscribers from the Big Three.

Shaw's disruption will take years, and the near-term dividend-growth rate will be modest, as expenditures on wireless infrastructure continue to increase in sync with interest rates. Shaw is a long-term play, but in the meantime, you've got a juicy dividend to collect while you wait.

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3. NYSE:ENB (Enbridge Inc.)
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