TFSA Investors: 2 Dividend-Growth Stocks With Attractive U.S. Exposure

Description

Canadian savers are searching for ways to get U.S. exposure in their portfolios, but owning U.S.-based dividend payers requires some planning.

Why?

American stocks can be held inside RRSP accounts without any concern over the distributions being taxed (until the funds are withdrawn), but when investors are using a TFSA as part of their savings plan, things can get tricky, as the distributions received from U.S. dividend stocks are subject to a 15% withholding tax that can't be recovered. If the stocks are held in a non-registered account, you can recover the 15% withholding tax when you file your tax return.

One way to avoid the whole issue is to own Canadian companies with large operations based in the United States.

Let's take a look at **TransCanada Corporation** (TSX:TRP) (NYSE:TRP) and **Bank of Montreal** (TSX:BMO)(NYSE:BMO) to see why they might be interesting picks.

TransCanada

TransCanada is one of North America's largest energy infrastructure firms with operations in Canada, the United States, and Mexico.

The company beefed up its U.S. presence in 2016 when it acquired Colombia Pipeline Group for US$13 billion. The deal added important natural gas pipeline and storage assets in the growing Marcellus and Utica shale plays, as well as strategic gas infrastructure running from New York to the Gulf Coast. In addition, the deal brought US$5.6 billion in near-term development projects.

Revenue from the U.S. operations primarily comes from regulated assets, so cash flow should be predictable and reliable.

Overall, TransCanada is working through $24 billion in commercially secured near-term projects that should be completed by the end of 2021. As the new assets go into service, management expects to raise the dividend by at least 8% per year. The payout currently provides a solid 5% yield.

The company has an additional $20 billion in longer-term developments under consideration, including Keystone XL, which would transport Canadian oil to the United States.

Bank of Montreal

Investors often skip Bank of Montreal when choosing a financial institution to add to their portfolios, but the company probably deserves more respect.

Bank of Montreal has a balanced revenue stream with strong personal and commercial banking, wealth management, and capital markets operations. The Canadian operations are the largest part of the business, but Bank of Montreal also has a significant U.S. presence with more than 500 branches.

Management continues to seek out opportunities to grow the U.S. presence. The company bought GE Capital's transport financing business in late 2015 and investors could see additional tuck-in acquisitions in the coming years.

Bank of Montreal has paid a dividend every year since 1829 and sports a strong track record of raising the distribution. The current dividend provides a yield of 3.8%.

Is one more attractive?

Both companies offer solid U.S. exposure and pay reliable dividends. If you only buy one, I would probably make TransCanada the first pick today. The stock is down amid the broader pullback in the energy infrastructure sector and is starting to look oversold.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:TRP (Tc Energy)
3. TSX:BMO (Bank Of Montreal)
4. TSX:TRP (TC Energy Corporation)

PARTNER-FEEDS

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

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/07/01
Date Created
2018/03/30
Author
aswalker