3 Cheap Dividend Stocks to Give Your TFSA a Market-Beating Edge

Description

When it comes to beating the market, many investors are geared to think short term. As a result, some investors may opt to invest in higher-risk, higher-reward types of investments. You can't have a higher reward without taking on more risk, right?

That's typically the case, especially when it comes to near-term results, but when it comes to your TFSA, I think investors shouldn't be taking on exorbitant amounts of risk that they may not be comfortable with.

You're only allowed a $5,500 contribution to your TFSA per year, so use the proceeds wisely. To risk it all on a speculative short-term bet could be detrimental to your retirement down the road, since that cash could have been put to work in a low-risk dividend-paying stock that would have compounded tax-free over the course of decades.

Instead of thinking about ways to double your money in the shortest time frame possible, look to buy high-quality dividend-growth stocks that are priced at attractive multiples. Here are three compelling stocks which fit the criteria:

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM)

CIBC is arguably the most unloved bank of the Big Five Canadian banks. Many investors are turned off by the company's recent mortgage growth and its overexposure to the Canadian housing market, which many would agree has become quite frothy.

No, we're probably not witnessing a 2008-style housing meltdown. Many pundits believe that a gradual cooling of Canadian housing will occur, so I believe many investors are tricked into thinking CIBC is the riskier Canadian bank, when, on the contrary, it may actually be the least risky given its ridiculously low valuation.

With a new U.S. foundation in place, CIBC is a stock that I believe will continue to surprise us all. I think it has the highest relative margin of safety of all banks and the most medium-term upside. The ~4.8% dividend yield is well above average and is poised to continue to grow at a steady rate on an annualized basis.

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG)

When it comes to Canada's energy sector, many investors think of Alberta's dirty oil sands. It's heavy crude; it's bad for the environment; carbon taxes are poised to make already expensive operations even more uneconomical; and the global sentiment is generally extremely bearish.

For those looking for exposure to shale oil plays without venturing south of the border, Crescent Point is a compelling option. And it's really cheap right now after falling ~80% from its highs.

The company recently purchased a stake in the East Duvernay shale formation, and with a potential production ramp up on the horizon, Crescent Point could be the deep-value stock that can provide investors with next-level returns, as the stock makes up for lost ground. In the meantime, there's a juicy ~3.6% dividend yield to collect.

Restaurant Brands International Inc. (TSX:QSR)(NYSE:QSR)

This is a stock that can't seem to catch a break. The Tim Hortons debacle has caused many regulars to take a pass on their daily double-double, and instead, they're opting for an alternative amid the company's seemingly never-ending PR nightmare.

Sure, Restaurant Brands's never-ending fight between franchisees may hurt the brand in Canada; however, that's already been baked in to shares at these levels. It's been shown that boycotts don't really hurt a business over the long term. Many Canadians will inevitably forget about the "employee benefit cut" situation in Ontario and return to their daily ritual of starting their day with a double-double and a doughnut.

When you consider the long-term growth trajectory across all of its brands and the low-risk, capital-light nature as a collector of royalties. I think the recent sell-off is nothing more than a gift from Mr. Market.

The company is a cash cow, and the +3% dividend yield is poised to grow even further over the next few years, as its stable cash flow accelerates to levels that will make many investors very rich over the next decade.

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