TFSA Investors: 3 Undervalued Stocks Paying Up to 7% That Can Help You Diversify

Description

If you have a TFSA account, then you know the benefit of holding some stable dividend stocks in it, as any eligible investments are able to accumulate both income and dividends on a tax-free basis. However, given the volatility in the markets lately, you'll also want to add some diversification to your portfolio to ensure that it doesn't get dragged down by a struggling sector and can keep your overall returns balanced.

Below are three stocks that will provide you with monthly dividends and can also help to diversify your portfolio, as the companies all operate in different industries.

Northland Power Inc. (TSX:NPI) uses renewable energy sources and natural gas to produce electricity for its customers, and with long-term agreements in place the company can offer investors a lot of stability. In each of the past five quarters, Northland has been able to post a strong profit, and while revenues have seen some volatility, only once during that time has the company's top line dipped below $300 million.

In the past year, the share price has declined 6%, although in the last month it has risen over 1%, as signs are that the bleeding has stopped. The drop in share price has pushed Northland's yield up to 5.2%, and its monthly distributions can give your portfolio a lot of good, recurring cash flow. As renewable energy continues to rise in popularity, so too will Northland's revenue and share price.

RioCan Real Estate Investment Trust (TSX:REI.UN) is another stock that can offer its investors stability, as its portfolio of properties is well diversified and has helped the company withstand instability in the struggling retail environment. RioCan has an interesting strategy for how to better manage retail spaces and reduce its exposure to departures in the industry, and that could help the company continue to grow, even if the retail industry doesn't.

Unfortunately, that optimistic outlook hasn't translated into results, as the share price has declined 12% in the past year, and year to date the stock is down 4%. The sell-off has increased RioCan's yield up to over 6.1% and makes the stock a very attractive dividend investment.

With a price-to-earnings ratio of less than 11 and the stock trading below its book value, RioCan is also a great value buy for investors looking to secure a great deal.

Inter Pipeline Ltd. (TSX:IPL) is in a recovering industry and could be overdue for a price increase, and the stock has already started to climb. In the past year, Inter Pipeline's share price has fallen 14%, although in just the last month it has risen more than 6% as prospects for the industry have gotten stronger. As oil prices continue to rise, stocks like Inter Pipeline will gain momentum, as sales will find it easier to grow, which will lead to strong profits.

Inter Pipeline's dividend of $0.14 per month is the highest on this list, and the stock's current yield is over 7%. The company has a good track record for increasing its payouts, and that makes it an appealing long-term buy. You'll likely see your dividend income rise over the years simply by holding shares of Inter Pipeline.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:NPI (Northland Power Inc.)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)

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