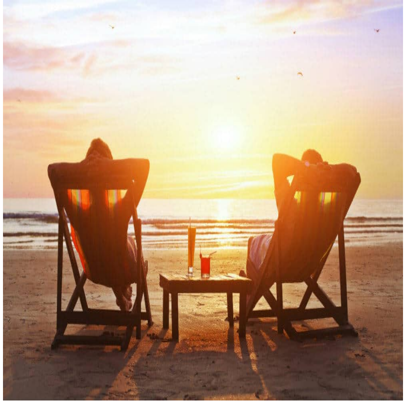

2 Dividend Stocks to Buy and Hold in Your TFSA This Summer

Description

Investing to build your retirement income requires a long-term approach. To pursue this strategy, making use of your Tax-Free Savings Account (TFSA) is a great idea. Here is why.

First, all capital gains in your TFSA are out of the taxman's reach. Unlike an RRSP, you can withdraw funds from this account without any tax implications. Second, you can use your TFSA money anytime during emergencies or other financial needs without these withdrawals affecting your limit.

Once you have decided to start investing through your TFSA, the next challenge is to find investment ideas that match with your style and strategy. For investors who have a long-term approach, dividend stocks offer one of the best avenues. Remaining invested in companies that have great businesses and solid cash flows is a slow, but relatively safe approach to build your wealth.

With this theme in mind, here are two dividend stocks from Canada that you might like to add to your TFSA.

Bank of Montreal

Financial stocks have lost their lustre since the 2008 Financial Crisis as a reliable source of wealth generation for retirees. That might be true for the U.S. banks where bankers pursued aggressive lending strategies and destroyed their reputation. In Canada, however, banks are still one of the best sources of earning a steadily growing income stream.

Let's take the example of **Bank of Montreal** (TSX:BMO)(NYSE:BMO), Canada's fourth-largest lender. During the past decade, its share price has more than doubled, while investors regularly received dividend payments.

The lender's dividend history is so solid that the company has never missed its payment. BMO aims to distribute between 40-50% of its earnings in dividends to shareholders over time.

During the past six months, BMO has raised its quarterly payout twice, delivering 6% growth to its quarterly dividend since August; the payout now stands at $0.93 a share. If you're planning to buy a banking stock for your TFSA, BMO is a good candidate with its rock-solid balance sheet and growing U.S. operations.

Emera Inc.

Just like banks, Canada's power and gas utilities provide another source of stable dividend income. One big advantage of investing in energy utility companies is that their revenues are regulated, and they don't face too much volatility in their cash flows.

This built-in feature in their business models works nicely for long-term investors who want slow and steady growth of their capital. The Halifax, Nova Scotia-based **Emera Inc.** (TSX:EMA), one of the top 20 North American regulated utilities, is one such company you can consider adding to your TFSA.

This utility makes more than 85% of its consolidated earnings from its regulated business. This predictability in earnings from the regulated segment has allowed the company to grow its dividend. It has set an 8%-per-year dividend-growth target to its $2.26 a share annual payout through 2020.

After a 12% pullback in its stock price during the past one year, Emera's dividend yield has become extremely attractive at 5.4%. I think this is a good time to invest in Emera stock, as the company is well positioned to improve its cash flows after its mega acquisition of TECO Energy, Inc. in 2016.

CATEGORY

1. Bank Stocks
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1. Editor's Choice

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3. TSX:EMA (Emera Incorporated)

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