TFSA Investors: 3 Cheap Dividend Stocks Yielding More Than 5%

Description

Dividend stocks can be a great source of income for your TFSA. However, if you pick an expensive stock to invest in, then you may find your dividend income simply offsetting your losses from holding overpriced shares. Dividend stocks that are "on sale" or at a low could be great investments, since you can benefit from potential capital appreciation as well as dividend income.

Below are three stocks that present good value for your money and pay more than 5% per year that could be great additions to your portfolio.

Algonquin Power & Utilities Corp. (TSX:AQN)(NYSE:AQN) pays its shareholders a dividend in U.S. dollars, so its distributions will have some variability for Canadian investors.

Depending on how weak or strong the Canadian dollar is relative to the U.S. currency could play a big role in determining how high your overall return is.

Algonquin recently raised its dividend to US$0.1282 every quarter, and at an exchange rate of about 1.3, Canadian investors are earning a divided yield of roughly 5.2% per year, which is a fairly high dividend for a utility stock.

In terms of value, the shares trade at less than two times book value and are not far from the 52-week low, which suggests it is not an expensive buy today and could have an opportunity to rise in value. Utility stocks offer investors a lot of stability and potential growth, as their customer base is often very strong, and the recurring revenue makes it easy for the company to continue to grow.

Algonquin is a good buy for both value and dividend investors. Year to date, the stock is down more than 8% and could be due for a recovery soon.

Enbridge Inc. (TSX:ENB)(NYSE:ENB) has struggled in the past year, despite rising oil prices, and that makes it an opportune time for dividend investors to secure a rising yield. In the past 12 months, the stock has dropped around 20%, and it has failed to gain much momentum, even as the industry has shown some signs of life.

The problem, however, is that while the industry in the U.S. may be booming, here in Canada, we're just not seeing the same level of optimism and bullishness. But that makes Enbridge a good buy, as it is trading only around 1.3 times its book value. The drop in price has also pushed its yield up to over 6.3% per year.

What should be encouraging for investors is that over the past five years, Enbridge has consistently turned a profit, even despite challenging industry conditions, and it's coming off a strong Q1.

Sienna Senior Living Inc. (TSX:SIA) can provide investors with a unique way to diversify their portfolios, especially as we see a move toward an older demographic and health care becomes more of an issue. The stock has declined 8% since the start of the year, and it too has gotten a boost from a rising yield, which now pays 5.4%.

While Sienna may not grow its dividend, its potential for long-term sales growth should more than make up for that. And with the stock trading near its 52-week low, it could be a great pick up at its current price.

CATEGORY

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2. NYSE:ENB (Enbridge Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
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