2 Top Dividend Stocks That TFSA Investors Will Find Selling Cheap

Description

If you're planning to beef up your Tax-Free Savings Account (TFSA) with some top-quality dividend stocks this summer, then I have two suggestions for you that you might find attractive.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) and **Emera** (TSX:EMA) have become extremely attractive for long-term income investors after some pullback in their share values this year. Let's take a deeper look.

Scotiabank — a victim of its own success

Some analysts have become bearish on this top dividend stock after the lender has concluded some major deals to expand both in Canada and globally. So far in 2018, its shares are down about 4%, making it the worst performer among the top five Canadian banks.

But should that be a reason of concern for long-term investors? I don't think so. One of the biggest factors weighing on its stock this year is the amount of money the bank is spending on acquisitions.

During the past nine months, the bank has finalized a deal worth $7 billion, funding a $2.9 billion deal for a 68% stake in BBVA Chile, an agreement to acquire MD Financial Management for nearly $2.6 billion, an Ottawa-based wealth management operation that caters to doctors, and a $435 million deal to acquire Citibank's retail and small- and medium-sized business operations in Colombia.

There is no doubt this is a massive expansion, and that should make some investors nervous, as the merger and acquisition activity involves risks, and it takes time to fully benefit from the synergies.

That said, Scotiabank has an excellent record to make its growth plan work, and I believe this time will be no different. The lender has paid a dividend every year since 1832, while it has hiked its payouts in 43 of the last 45 years. I don't see any threat to these dividends when the lender has strong earnings momentum. Keep an eye for another dividend hike when Scotiabank announces its third-quarter earnings today.

Emera

Among Canada’s energy infrastructure providers, I find the Halifax, Nova Scotia-based Emera trading at attractive levels after almost 16% pullback in the past one year. The utility is also getting some bad reviews from analysts after it lowered its dividend-growth target to 4-5% from 8% through 2021.

But if you dig a little deeper, the utility is reducing the dividend growth to fund its major expansion — a move that is a long-term positive. Those investments include its US$1.7 billion Tampa Electric project, which, according to Emera, will significantly add to the utility’s regulated-rate revenues.

Early this month, Emera reported adjusted earnings per share for the second quarter of $0.48, missing analyst projections of $0.565. After a 14% pullback in its stock price, Emera’s dividend yield has become extremely attractive at 5.8%.

With more than 85% of Emera’s consolidated earnings coming from its regulated business, the company has many strengths that should outweigh the near-term setback on its dividend growth.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:EMA (Emera Incorporated)

PARTNER-FEEDS

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

Category

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

Tags

1. Editor's Choice

Date
2025/07/05
Date Created
2018/08/28
Author
hanwar