2 Top Dividend Stocks Worth Buying Through Your TFSA

Description

If you're planning to build your retirement portfolio through your Tax-Free Saving Account (TFSA), it's highly recommended you buy some quality dividend stocks.

In this investing strategy, you should focus on stocks that raise their dividends regularly and have payout ratios that are in the safe zone. When you see that combination in a company that is growing its cash flows and has a dominant position in its industry, the chances are that you have found a perfect place to park your TFSA dollars. Here are two top dividend stocks that I think fit the bill.

Telus

Telus Corporation (TSX:T)(NYSE:TU) is one of the top three telecom utilities in Canada, where these operators enjoy strong wireless growth and make strong cash flows.

Due to limited competition in the domestic market, Canadian telecom operators enjoy healthy profit margins. In the second quarter, Telus reported an adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) margin for its wireless business of 43.8%. Telus added a total of 135,000 net new wireless, internet, and TV subscribers during the quarter.

Its strength in the wireless business combined with its strong global outsourcing and digital IT services business have positioned Telus to provide superior returns to investors. This year, Telus raised its quarterly dividend by 6.6% to $0.525 a share. The company is targeting 7-10% growth in its dividend each year.

Algonquin Power

Like telecom operators, power and gas utilities offer another income avenue for you to explore to grow your TFSA income. In this space, Toronto-based **Algonquin Power and Utilities** (TSX:AQN)(NYSE:AQN) is one stock that looks attractive.

Algonquin, through its two business groups, provides rate-regulated natural gas, water, and electricity services to over 700,000 customers in the U.S. Algonquin also runs a clean-energy unit with a portfolio of long-term contracted wind, solar, and hydroelectric generating facilities, managing more than 1,250 MW of installed capacity.

It generates about 70% of earnings from regulated utilities and 30% from contracted renewable power. This diversified revenue base has helped the utility to provide steadily growing returns to its investors.

During the past five years, Algonquin stock has delivered 114% in total returns, including dividends. With the current dividend yield of 4.81%, Algonquin pays $0.67-a-year payout that it plans to raise 10% each year for the next five years.

The bottom line

Buying and holding dividend stocks such as Telus and Algonquin is a proven way to grow your retirement income. If you’re investing through your TFSA, you can build this wealth tax-free over the long run.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:TU (TELUS)
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Date
2025/09/11
Date Created
2018/09/10
Author
hanwar