3 Low-Maintenance Dividend Stocks That Beat the TSX Index P/E Ratio

Description

Looking for stocks to buy for your TFSA? A lot of people who want to make money buying stocks on the TSX index tend to open up a savings account, such as a TFSA, and then proceed to stuff it full of total rubbish. The fact is that some stocks are simply better than others – but the thing nobody tells you when you start buying stocks for the first time is that you have to do your own homework.

Think you can coast along simply by reading headlines? The problem is that as soon as you've heard a stock is worth buying it's usually too late. Unless you're a momentum investor, in which case volatile stock are our bread and butter, what first-time investors looking for stocks that pay big dividends need to do is comb through the data. There's a lot of it out there, so there really is no excuse!

IGM Financial (TSX:IGM)

This $8 billion financial behemoth has a tidy P/E of 12.6 times earnings, pays a dividend yield of 7%, and carries only a moderate debt of 45% of net worth. A one-year past earnings contraction by 24.2% is a red flag for this stock, and trails by some distance the Canadian capital markets industry average of 16.4% for the same period.

It's even worse than its own 2.9 % past five years' average contraction of earnings. However, it should be noted that this stock is looking at a 14.4% improvement in annual earnings over the next one to three years.

Lundin Mining (TSX:LUN)

The good thing about buying stocks to hold for the long-term is that you have more time to keep an eye on them – if you get it right. Ideally, you want stocks you can more or less forget about: the lower maintenance the better. A large market cap of $4 billion puts Lundin Mining in that category. With a P/E of 7.1 times earnings, it's also nicely valued.

Lundin Mining's one-year past earnings growth of 79.7% beats the industry average of 41.5% for the same period pus its own five-year average past earnings growth of 15.8%. An expected earnings growth of 22.9% over the next couple of years looks great for growth investors, while a dividend yield of 2.2% isn't bad for a metal and mining stock. Low debt of 10.6% of net worth makes this a good long-term pick.

Laurentian Bank of Canada (TSX:LB)

A market cap of $2 billion and low P/E of 7.8 times earnings combine in one gem of a stock. A one-year past earnings growth of 45.8% is great to see, especially when you take into account the industry average of 10% for the same period.

A 3.6% expected annual growth in earnings does suggest that this runaway improvement is coming to standstill, but a high dividend yield of 6.1% and an acceptable proportion of non-loan assets make for a high-quality pick for your TFSA.

The bottom line

Low-maintenance dividend stocks that are attractively valued (generally with a lower P/E than the TSX index average of 15.2 times earnings) and don't contain any nasty surprises – such as bad PR or high debt – are the Holy Grail of Canadian investment. The TSX index is packed with high-yield bargains that many other stock markets simply don't have. Think you can find a "Laurentian Bank" on the NASDAQ? Good luck with that!

So, if you want to get rich buying Canadian stocks, why not start with stocks like the three above and see where your investment adventure takes you.

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1. Dividend Stocks
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TICKERS GLOBAL

1. TSX:IGM (IGM Financial Inc.)
2. TSX:LB (Laurentian Bank of Canada)
3. TSX:LUN (Lundin Mining Corporation)

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