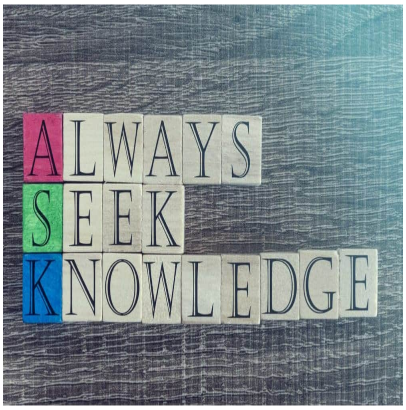

TFSA Investors: 3 Great Dividend Stocks Yielding Up to 12.8%

Description

Your TFSA is the perfect place to stick great dividend stocks.

Sure, some pundits might argue a better spot for dividend payers is in a taxable account, since dividends are taxed at a more attractive rate than regular income. But that doesn't mean folks with just a TFSA should avoid the sector.

Besides, many Canadians don't even have investments outside of their TFSAs or RRSPs. Does this mean they should avoid dividend stocks? Hardly.

Dividends can be a powerful wealth building tool, especially when they're reinvested on a regular basis. They don't have to be reinvested in the same stocks, either. As long as you put this new capital to work in something, you're good.

Here are three great dividend stocks with some succulent yields.

American Hotel REIT

I have a feeling many investors are going to be interested in **American Hotel Income Properties REIT** (TSX:HOT.UN), especially after they find out the stock yields an eye-popping 12.8%. No, that's not a typo.

The current payout is US$0.054 per share each month, which translates into a little over $0.86 per share on a yearly basis in local Canadian currency. Shares trade hands at $6.64 currently on the **Toronto Stock Exchange**.

Many investors would take one look at that yield and declare American Hotel REIT a poor dividend investment, convinced the payout is about to be cut. But it's not quite that simple. Over its last four quarters, the company generated US$0.74 per share in funds from operations while paying out US$0.64 in dividends. That gives it a payout ratio of approximately 90%. In other words, it can afford the dividend.

Even if it does slash the dividend in half to help pay down some debt, investors who get in today would still have a 6.4% yield. That's hardly a disaster.

Other bullish signals include the company's low price-to-funds from operations ratio (which currently sits below 7 times earnings) and its discount to book value. CEO Dennis O'Neill is also aggressively buying the stock today.

Inter Pipeline

Alberta's energy woes should be music to long-term investors' ears. They get the chance to pick up great stocks like **Inter Pipeline Ltd.** (TSX:IPL) at a great price.

The company has nicely diversified away from transporting bitumen away from the oil sands. Approximately 50% of its earnings now come from other sources, like natural gas liquids processing, conventional oil pipelines, and bulk liquids storage. The company also recently announced further diversification efforts, spending US$270 million to add assets to its European liquids storage business.

Shares currently yield an impressive 7.8%. The payout ratio is approximately 65% of funds from operations, meaning there's little risk to the dividend. In fact, Inter Pipeline has raised its dividend each year over the last decade, averaging better than a 5% hike each year.

Laurentian Bank

Canada's Big Five banks get all the attention — perhaps rightfully so — but investors who look past these behemoths can find some interesting bargains.

Laurentian Bank of Canada (TSX:LB) is one such value stock. Shares currently trade hands at $41.70 each, even though the company earned $5.40 per share over the last 12 months. That gives the company a P/E ratio of just 7.7, which is one of the lowest in Canada. Laurentian also trades at less than book value, another important value metric when looking at bank shares.

This company does have some issues, but they're not the end of the world. It was forced to buy back certain mortgages after an investigation revealed some of the borrowers may have falsified some data. It is trying to cut back branches, a move resisted by its unionized workforce. And management has made the choice to prioritize balance sheet management over growth for the next few quarters, which will likely impede earnings growth.

But investors are getting a heck of a prize to wait — a 6.1% dividend that's well covered by earnings. The payout has almost doubled in the last 10 years and the payout ratio is a little less than 50% of earnings. This means dividend growth is likely to continue, even if earnings don't accelerate at the same pace.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:HOT.UN (American Hotel Income Properties REIT LP)
2. TSX:LB (Laurentian Bank of Canada)

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