3 Dividend Aristocrats for High Income in Your TFSA

Description

In a bear market like the one we're in right now, dividend stocks offer a measure of security that's hard to find anywhere else. Although a high dividend yield can't totally protect you from losses — a stock's price can easily slide more than its dividend pays out — it does at least provide a buffer.

It's no surprise then that dividend investing is a popular topic right now. As the TSX and other indices hit 12-month lows, investors seek the security of income-producing investments. Bonds are one option for the income hungry, but dividend stocks usually pay more than bonds and have the potential for gains to boot.

For TFSA investors looking to get a nice dose of income in their portfolios, there are plenty of good options out there. Here are my picks for three of the best.

Fortis (TSX:FTS)(NYSE:FTS)

Fortis is one of Canada's largest utility stocks, with assets across Canada, the U.S., and the Caribbean. The stock only yields about 4% right now, but that can go higher, because the company has a long history of raising its dividend. Management is aiming for 6% annual increases through to 2022, so the income potential here is a lot higher than the yield betrays.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS)

Bank of Nova Scotia is not the most exciting stock in the world. It's been growing earnings at about 8-9% year over year, and its returns have largely been commensurate with that. But what this bank lacks in growth it makes up for in income. At the time of this writing, the stock yielded 4.7%, giving it one of the highest yields among Canada's Big Five banks. Bank of Nova Scotia also has strong profit margins and a very healthy balance sheet, making it one of the most stable and dependable stocks on the TSX.

Emera (TSX:EMA)

Emera is, like Fortis, a utility stock. It had strong earnings growth in Q3, at 34% year over year; however, year-to-date earnings are down from the same time in 2017. Emera's dividend yield based on current prices is very high at 5.29%, although its payout ratio (239%) is high as well. If growth keeps up like it did in Q3, then earnings could catch up with dividends in a few years. This is the stance that the company's CEO Scott Balfour took in a recent interview where he said that the dividend would not have to be cut, because "we'll grow our way to a lower payout ratio."

Bottom line

In down markets, dividends can be an investor's best friend. The stocks mentioned in this article all have comparatively high dividend yields, strong dividend histories, and a commitment to future dividend growth. Although they're subject to the same market fluctuations that other stocks are, the income provides a buffer against market volatility that can keep you afloat in turbulent times.

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Date
2025/08/26
Date Created
2018/12/20
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